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UNEMPLOYMENT AND RELIEF

HEARINGS

BEFORE A

SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

UNITED STATES SENATE

SEVENTY-FIFTH CONGRESS

THIRD SESSION

PURSUANT TO

S. Res. 36

A RESOLUTION CREATING A SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

VOLUME 1

JANUARY 4 TO 22, 1938

Printed for the use of the Special Committee to Investigate Unemployment and Relief

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SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

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ALAN JOHNSTONE, *Counsel*

SENATE RESOLUTION 36, SEVENTY-FIFTH CONGRESS, FIRST SESSION

Resolved, That a special committee consisting of five Senators, to be appointed by the Vice President, is hereby authorized and directed to study, survey, and investigate the problems of unemployment and relief, including an estimate of the number of persons now unemployed by reason of the use of labor-saving devices, mechanical and otherwise, in operation in the United States, obtaining all facts possible in relation thereto which would not only be of public interest but which would aid the Congress in enacting remedial legislation. The committee shall begin its study, survey, and investigation as soon as practicable and shall continue such study, survey, and investigation expeditiously and with all possible dispatch and shall report to the Senate as soon as practicable with recommendations for legislation.

SEC. 2. For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate, during the Seventy-fifth and succeeding Congresses, to employ such experts and clerical, stenographic, and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, and to take such testimony and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per one hundred words. The expense of the committee, which shall not exceed $10,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

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UNEMPLOYMENT AND RELIEF

TUESDAY, JANUARY 4, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO
INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10:00 a. m., in room 357, Senate Office Building, Washington, D. C., Senator James F. Byrnes presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch; Alan Johnston, Esq., counsel for the committee.

The CHAIRMAN. The committee will come to order.

In opening these hearings, I desire to make a short statement.

The Special Committee to Investigate Unemployment and Relief was appointed pursuant to a resolution adopted by the Senate, which resolution directed the committee to study, survey, and investigate the problems of unemployment and relief, including an estimate of the number of persons now unemployed by reason of the use of labor-saving devices, mechanical and otherwise, in operation in the United States, obtaining all facts possible in relation thereto which would not only be of public interest but which would aid the Congress in enacting remedial legislation. Pursuant to the terms of this resolution, studies have been made by the committee and its counsel.

In these hearings, it is our purpose to ascertain:

1. The most accurate information as to the number of unemployed in the Nation.

2. The extent to which Government, under existing law, provides either insurance benefits, relief, or work relief for the unemployed.

3. From employers and representatives of labor, the number of unemployed in particular industries, and the opinion of these leaders of industry and labor as to the causes of such unemployment and the remedies therefor.

4. Whether work relief should be continued, and if so, what contribution should be required of local governments sponsoring projects and what improvements in administration should be made.

The committee is having investigations conducted as to the total expenditures by all governments for relief; as to the financial ability of local governments to contribute to work-relief projects; as to the number of employees upon work-relief projects who have other employment to supplement their income; and as to other phases of the relief problem. This information will be presented at subsequent hearings.

It is not the purpose of this committee to endeavor to show that either labor or capital deliberately brought about the present recession in business. This investigation is conducted subsequent to the resolution heretofore cited, which was adopted 6 months ago.

It is our desire to secure the cooperation of employers, employees, and officials of Government in an effort to determine what legislation, if any, can be enacted by Congress to encourage individuals to provide more jobs, and the method by which the greatest possible assistance can be rendered to those who do not succeed in securing employment in industry.

The restrictions upon our time make it impossible to hear all who would like to present their views in person. We want the responsible representatives of labor and of industry who are not invited to appear personally to feel assured that the committee will be glad to have them file a statement of their views with reference to the matters set forth in the resolution.

Mr. John D. Biggers, who is the administrator in administering the resolution directing the census of the unemployed, has written me the following communication:

MY DEAR SENATOR BYRNES: In compliance with my promise, I submit herewith a copy of my preliminary and partial report to the President on unemployment as revealed by the voluntary unemployment registration, November 16 to 20, 1937, and our subsequent enumerative test, pursuant to authority granted by Public, No. 409, Seventy-fifth Congress, approved August 30, 1937. I am also submitting a copy of my second report covering information on total unemployment and emergency workers subdivided by States.

I am planning to appear before the Senate Special Committee to Investigate Unemployment and Relief on Thursday, January 13, as requested, and shall be glad to cooperate with the important work of your committee to the extent of my knowledge and ability.

The CHAIRMAN. I desire at this time to offer for the record the copy of the report enclosed with this communication.

The Director is now making additional investigations and having analyses made of the figures in his possession, and at a subsequent date will present to the committee the result of that further study by his organization.

(The following is the report submitted by Mr. Biggers:)

UNEMPLOYMENT REGISTRATION, 1937

JANUARY 1, 1938.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: As Administrator of the Census of Partial Employment, Unemployment, and Occupations, I respectfully submit this preliminary report on unemployment as revealed by the voluntary unemployment registration, November 16 to 20, 1937, and our subsequent enumerative test census.

Unemployment is difficult to measure. We approached this task with an appreciation of the difficulties but with a conviction that a knowledge of basic facts was a prerequisite to a sound solution of the unemployment problem.

A voluntary registration of the unemployed was undertaken because it offered the possibility of getting the essential information more promptly and at less cost than a Nation-wide enumerative census. However, as you know, we recognized from the outset that sole reliance could not be placed upon this or any other voluntary registration. Therefore, we conducted an enumerative test census of 1,950,000 people, representing a cross section of the United States, in order to appraise the completeness and accuracy of our voluntary registration. This combination of voluntary and enumerative methods seemed to be the best procedure available within the limits of time and cost.

The painstaking care with which the unemployment report cards were filled out surpassed all expectations. Careful checks in the field and in the process of tabulation resulted in rejection of less than 6 percent of all the cards sent in, although rejections of 10 to 20 percent had been anticipated. The principal reasons for rejection were inability to work, duplicate registrations, unknown at address given, and under or over the age limit, 15 to 74. Your faith in the willingness of the

people to cooperate in any undertaking for their own good and that of the Nation was fully justified.

The voluntary registration of those working for Works Progress Administration, National Youth Administration, Civilian Conservation Corps, and on other emergency work who, for the purposes of this census, were asked to register as unemployed was:

Male	1,662,444
Female	339,433
Total emergency workers	2,001,877

All others classified as totally unemployed, able to work, and wanting work numbered:

Male	4,163,769
Female	1,657,266
Total unemployed workers	5,821,035

Thus the voluntary registration of totally unemployed including emergency workers was 7,822,912; of which 5,826,213 were males and 1,996,699 females.

The enumerative test census heretofore mentioned was taken in 1,864 areas, selected at random, and distributed throughout the United States approximately in proportion to population. This house to house canvass covered more than 1½ percent of the population of the United States and was made by the trained personnel of the Post Office Department during the week of November 29. The questions, however, applied to the employment status of those individuals at the time of the voluntary registration.

The voluntary registrations from the same identical areas have been compared with the results of this test census. According to a preliminary analysis for 1,455 areas, the voluntary registration was 72 percent of the number reported in the test census as totally unemployed, including emergency workers. The largest variation was among females. The percentage for males was 80 percent. These percentages of apparent completeness are regarded by the experts as exceptionally high for any type of voluntary registration, and are attributable to the efficiency with which the Post Office Department did its part of the job and to the exceptional support received from the press, the radio, the motion-picture industry, and the mayors' committees and other cooperating agencies in more than 4,000 cities and towns.

In determining the true measure of unemployment it is important to consider certain factors brought to light by the variation between the results of the voluntary census and the enumerative census.

The unemployed may be divided into two classes. One class represents those regular workers for wages who always work, when work is available, regardless of their immediate economic status. Work to them is not only a means of livelihood but a habit of life. These unemployed are clearly a part of the regular labor market.

There is also a second group consisting of those who are not regular workers for wages such as housewives, who seek wage jobs only when the family breadwinner is idle; daughters or sons who take jobs through choice rather than necessity; unpaid family workers on farms and in family stores, who seek wage jobs only when family income needs augmenting; retired people who, because savings have been depleted, decide to enter the labor market again. To this class unemployment is a status depending on their current inclinations and temporary economic conditions.

This second group made up of the occasional workers for wages might not take the trouble to respond to a voluntary registration but might readily be reminded to relate to a census enumerator their current inclination to work. For example, the proportion of women who reported themselves as unemployed was greater in the enumerative census than in the registration, though both exceed the percentage of women reporting as unemployed in the 1930 Census. It is expected that our detailed analysis will throw further light on this and similar questions.

Considering all of these factors, we do not claim provable accuracy for any one figure. The true number of those who considered themselves totally unemployed, able to work and wanting work, in our opinion, lies between 7,822,912, the number who responded to the registration and 10,870,000, the number indicated by the enumerative census.

In formulating any program for reemployment of workers in industry, based upon the results of this Census, a number of considerations must be borne in mind.

For example, it is not to be assumed that because a certain number of jobs must be created to bring a return to normal conditions. When the usual family breadwinner is idle, two or perhaps more members of his family may enter the labor market. Conversely, when the breadwinner is satisfactorily reemployed other members of the family may withdraw from the labor market.

Then, too, you recognize, but it should perhaps be emphasized, that the number of people who reported themselves as unemployed should not be confused with the number of people who need financial assistance or relief. Many people consider themselves unemployed who are not financially compelled to work. Irrespective of their need, when they seek employment, they enter the labor market and compete with others who have jobs or vitally need jobs. They are, therefore, a factor in the unemployment problem though they may never seek relief.

Our figures reflect the decline in employment during the earlier stages of the current business recession but not the subsequent trend. If you desire additional information beyond that obtainable from the usual statistical sources, it would be possible, with the cooperation of the Post Office Department, to make at any future date a cross-sectional enumeration of our test areas which should be of value to you and the Congress. This, in addition to all the other work contemplated by us, could be carried through well within the $5,000,000 budgeted for the purposes of this census.

We will submit to you tomorrow another report showing the distribution by States of total unemployment as revealed by the voluntary census following which there will be made available a break-down of this information by counties and by cities of 10,000 and more population, all according to sex. Subsequently, we will give you a report on the extent of partial unemployment, national, State, county, and city; likewise according to sex.

As the tabulation progresses we will report additional facts such as the age groups of the unemployed; their occupational classification; the kinds of business or industry in which they have worked and other related factors.

Fully appreciating the vital importance of a reemployment program and the contributing value of this information the Bureau of the Census has cooperated with us by working three shifts a day, in order to expedite this work and permit the completion of our report to you at the earliest possible date which will be by or before the end of March 1938.

In concluding this initial and partial report may I express my appreciation of the personal consideration which you have given to this undertaking and of the inestimable value of your counsel and support. I believe this undertaking will prove worthwhile not only because it provides new facts and figures about unemployment but because the wide popular consideration of this subject has focused the attention of the Nation upon the immediate necessity of formulating a long-range program of reemployment.

Respectfully submitted.

JOHN D. BIGGERS, *Administrator.*

Persons who registered in the unemployment census as totally unemployed or working on emergency work, by States

State	Persons who, between Nov. 16 and Nov. 20, were—					
	Totally unemployed and wanted work			Working at W. P. A., N. Y. A., C. C. C., or other emergency work		
	Total	Male	Female	Total	Male	Female
United States, total	5,821,035	4,163,769	1,657,266	2,001,877	1,662,444	339,433
Alabama	150,145	98,942	51,203	38,739	30,782	7,957
Arizona	12,948	10,220	2,728	8,476	7,176	1,300
Arkansas	92,149	67,832	24,317	34,254	29,037	5,217
California	258,005	182,466	75,539	91,053	68,674	22,381
Colorado	44,272	33,967	10,305	20,829	15,621	5,208
Connecticut	69,576	48,183	21,393	18,206	15,776	2,430
Delaware	8,907	6,493	2,414	2,429	1,883	546
District of Columbia	37,600	19,073	18,527	9,765	6,960	2,805
Florida	73,479	42,924	30,555	33,151	25,491	7,660
Georgia	130,803	78,715	52,088	36,587	27,573	9,014

Persons who registered in the unemployment census as totally unemployed or working on emergency work, by States—Continued

State	Persons who, between Nov. 16 and Nov. 20, were—					
	Totally unemployed and wanted work			Working at W. P. A., N. Y. A., C. C. C., or other emergency work		
	Total	Male	Female	Total	Male	Female
Idaho	18,641	15,819	2,822	7,239	6,171	1,068
Illinois	338,055	246,732	91,323	121,688	106,270	15,418
Indiana	133,136	97,724	35,412	53,267	47,865	5,402
Iowa	61,531	46,760	14,771	23,765	20,324	3,441
Kansas	64,575	49,361	15,214	35,038	27,926	7,112
Kentucky	143,031	98,240	44,791	54,352	44,838	9,514
Louisiana	97,317	69,410	27,907	33,160	27,026	6,134
Maine	37,814	27,534	10,280	6,050	5,226	824
Maryland	58,288	41,518	16,770	12,947	11,237	1,710
Massachusetts	248,484	162,052	86,432	79,135	62,428	16,707
Michigan	195,016	147,44	47,571	54,172	47,914	6,258
Minnesota	98,495	75,568	22,927	45,684	38,937	6,747
Mississippi	89,584	60,654	28,930	29,377	22,455	6,922
Missouri	191,873	133,573	58,300	65,109	55,333	9,776
Montana	28,390	22,867	5,523	20,203	17,515	2,688
Nebraska	44,872	33,446	11,426	25,850	22,044	3,806
Nevada	3,091	2,571	520	1,757	1,385	372
New Hampshire	25,311	16,219	9,092	6,628	5,305	1,323
New Jersey	217,176	156,371	60,805	70,354	60,155	10,199
New Mexico	21,162	18,232	2,930	9,428	8,313	1,115
New York	763,322	537,007	226,315	206,518	178,974	27,544
North Carolina	94,711	55,270	39,441	31,030	22,471	8,559
North Dakota	26,962	22,340	4,622	18,707	15,531	3,176
Ohio	304,682	223,254	81,428	105,185	92,375	12,810
Oklahoma	114,114	85,596	28,518	58,725	48,212	10,513
Oregon	58,557	46,673	11,884	14,634	12,414	2,220
Pennsylvania	566,437	440,692	125,745	184,014	157,882	26,132
Rhode Island	43,654	27,453	16,201	14,889	12,487	2,402
South Carolina	73,227	44,268	28,959	29,401	20,694	8,707
South Dakota	26,002	20,533	5,469	23,680	19,323	4,357
Tennessee	116,142	76,266	39,876	31,956	27,609	4,347
Texas	229,254	163,223	66,031	76,355	55,643	20,712
Utah	18,848	14,959	3,889	10,945	9,223	1,722
Vermont	10,197	7,619	2,578	4,128	3,362	766
Virginia	84,487	53,372	31,115	28,112	20,329	7,783
Washington	89,871	71,196	18,675	31,078	26,574	4,504
West Virginia	86,449	69,315	17,134	34,061	29,194	4,867
Wisconsin	112,728	87,467	25,261	46,574	40,172	6,402
Wyoming	7,665	6,355	1,310	3,191	2,335	856

The CHAIRMAN. Is Mr. Lubin here?

Mr. LUBIN. Yes.

TESTIMONY OF ISADOR LUBIN, COMMISSIONER OF LABOR STATISTICS, UNITED STATES DEPARTMENT OF LABOR

The CHAIRMAN. Mr. Lubin, you are the Commissioner of the Bureau of Labor Statistics, of the Department of Labor are you?

Mr. LUBIN. Yes, sir.

The CHAIRMAN. How long have you held that office?

Mr. LUBIN. Since June of 1933.

The CHAIRMAN. What was your former association with the Department of Labor?

Mr. LUBIN. I had never been associated with the Department prior to then. For 11 years I had been with the Brookings Institution.

Prior to that I was in charge of labor courses in the University of Michigan.

The CHAIRMAN. As Commissioner of the Bureau of Labor Statistics, what surveys are made by you with reference to the number of unemployed in the Nation?

EMPLOYMENT MEASURMENT

Mr. LUBIN. Mr. Chairman, we do not make any surveys of the number of unemployed. We make surveys each month of the number of people who have jobs and we measure from month to month what has taken place in employment and in pay rolls. In other words, we measure both the increases and the decreases in employment and in pay rolls from month to month.

The CHAIRMAN. I wish you would state to the committee the method by which you proceed with that measurement.

Mr. LUBIN. We send out to approximately 150,000 employers each month a schedule on which we ask for figures of the total number of people on the pay roll that month, the total amount paid out in wages that month, and the total number of man-hours worked in their plants that month. On the basis of these figures we compute each month the percentage change in employment from the preceding month, the change in pay rolls from the preceding month, the average hourly earnings per worker, and the change from the preceding month, the average weekly hours per worker, and the change from the preceding month, and the average weekly per capita income of the workers, both for the given month and the month preceding.

The CHAIRMAN. What is the latest date as to which you have information from the industries of the country secured in the manner you describe?

Mr. LUBIN. We have some information for the month of December. It will probably be subject to change when the final estimates are made.

The CHAIRMAN. I wish you would give to the committee the result of your December inquiries, the latest figures that you have.

Mr. LUBIN. Mr. Chairman, with your permission, if I may, I would like to give you those figures and tie them up with the preceding months.

The CHAIRMAN. Go ahead.

SEASONALITY OF EMPLOYMENT

Mr. LUBIN. Last October, when employment in the United States, outside of agriculture, was only slightly below its peak for the recent recovery period—and, incidentally, that peak figure in September 1937 was about 2,000,000 less than the peak for the year 1929, when in September the maximum employment in this country was in effect—it is estimated that over 35,000,000 people had jobs. Up to that time there had been no widespread lay-offs. Some recession had been evident, however, in textiles, clothing, and certain other industries in the early autumn, so that the seasonal level of employment in October was not up to expectations. By mid-November, however, it is estimated that 800,000 people had lost jobs—again excluding agricultural workers—and that 34,245,000 were employed. By mid-December, on the basis of preliminary figures, it appears that another 675,000–750,000 jobs had been lost. This 2-month decline in industrial em-

ployment is sharper than any which has occurred in this country in recent years. In 1929 it is estimated that 1,400,000 persons lost their jobs between October and December.

The chief reductions in employment since October have come in manufacturing, construction, and on the railroads. Partly, of course, these changes are seasonal in character, particularly on outdoor jobs such as building and maintenance-of-way work on the railroads, on which there is always less activity in winter. These declines were offset only in part by the seasonal increase in employment in retail stores, where a different group of people are affected. By November, factories had laid off 440,000 workers, and in December, according to preliminary figures, about another 525,000. Railroads laid off 60,000 in November and about as many more in December, on the basis of incomplete reports. The reduction in bituminous mines was small and anthracite mines hired more men. Stores and shops had many more employees in December than in November, when, with the beginning of early holiday buying, there had been little change in the number employed.

It is likely that some further reduction in available jobs has taken place in the past 2 weeks. Early January is normally the seasonal low point for employment, with lay-offs at stores when Christmas shopping is over, and a further reduction in building and in certain manufacturing industries. The seasonal decline in nonagricultural employment from December to January in the past 2 years has been about 750,000. Agricultural work is also seasonally reduced in January, although agricultural labor is not included in these figures.

This, then, is the immediate situation. It appears clear that in early December there were fewer people at work in private industry and in regular Government employment than a year ago at this time, when business was more active. So far the reduction from a year ago is not great in relation to the Nation's employment as a whole. There were probably 850,000 fewer workers in December 1937 than a year earlier. In November, the latest month for which complete figures are available, it is estimated that there were about the same number of people at work in all American industries, except agriculture, as in November 1936. The record varies in different industries.

Employment of wage earners and salaried workers in factories was lower by about 60,000, and in construction by 180,000. Employment in wholesale and retail trade was 120,000 larger, however, and mines and railroads were employing about the same number of workers as in 1936. In manufacturing the most marked reduction as compared with last year was in the nondurable-goods industries, particularly textiles and clothing, in which recession began in the early autumn. In these two groups of industries there were 200,000 fewer wage earners than in November 1936. There were declines in employment at shoe factories, meat-packing plants, tire factories, and so forth. In the durable-goods industries more people were employed in November 1937 than in November 1936. The machinery and automobile industries had larger working crews, for example, than in November 1936. Lumber mills, on the other hand, had fewer employees than in the previous November.

The general level of employment as compared with former periods can be measured, roughly, by a comparison of November 1937 with November 1929, remembering that in the past 8 years there have been

3 to 5 million potential workers added to the American labor market by the growth in the population.

INDUSTRIES CONTRIBUTING TO EMPLOYMENT RECESSION

In November 1937 there were 2,160,000 fewer employees than in the autumn of 1929. There are three great industries which have contributed most to this decline. The first is private, as distinct from public, construction, which, with an estimated reduction of more than 650,000 workers, was employing only slightly more than two-fifths of its 1929 staff. Public construction, however, employed nearly as many men as in 1929. The second great industrial group which contributed to the decline is the railroads. Their force is nearly 600,000 smaller than in 1929, or only slightly over two-thirds of the predepression level. Manufacturing accounts for another large difference—about 440,000. This will be greater in December and January. If, however, the automobile industry had brought out its new models at the same time in 1929 as it now does and had been operating at a high, rather than a low, rate in November 1929, employment then would have been greater, and the comparative decline from 1929 to 1937, 150,000 to 200,000 greater. Even with a special allowance for the automobile industry, the decline from 1929 to 1937 represents a much smaller relative reduction in manufacturing than in the other two groups of industries. Moreover, neither construction nor railroads have come within striking distance of predepression levels in the recent recovery movement, while factory employment has been nearly as large as in 1929.

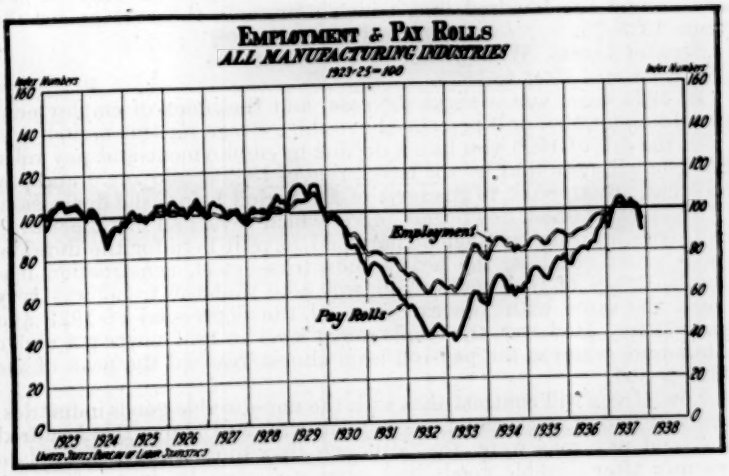
The reduction in employment of factory wage earners from November 1929 is about evenly distributed between the durable goods industries—such as steel, automobiles, machinery—and the nondurable goods industries—such as clothing, food, petroleum refining, paper manufacture, and so forth.

In general, the principal manufacturing industries which are providing less employment than in 1929 are associated with the building trades—lumber, brick and tile, cement, and other building materials. Other durable-goods industries, such as those making steel, automobiles, and agricultural implements, however, were employing more men in November 1937 than in November 1929. The food industries as a group, employed nearly as many people as in 1929.

The textile and shoe industries, on the other hand, as a result of recent sharp recessions in activity, had fewer wage earners in their plants, although the difference was not great. Cigarette factories, due to the use of machines, are making more cigarettes with fewer workers than in predepression years. Thus the record varies from industry to industry, both with the decline during depression, the degree of recovery in the years since 1933, changes in methods of manufacture, and the sharpness of the current recession.

Mr. Chairman, with your permission, I would like to illustrate graphically just what the situation is so that we might get some view of the spottiness of this recession, particularly in terms of employment. I have brought with me some of our charts which depict what actually happened in the last 15 years to employment in most of our manufacturing industries.

The CHAIRMAN. All right.


EMPLOYMENT & PAY ROLLS
ALL MANUFACTURING INDUSTRIES
1923-25=100
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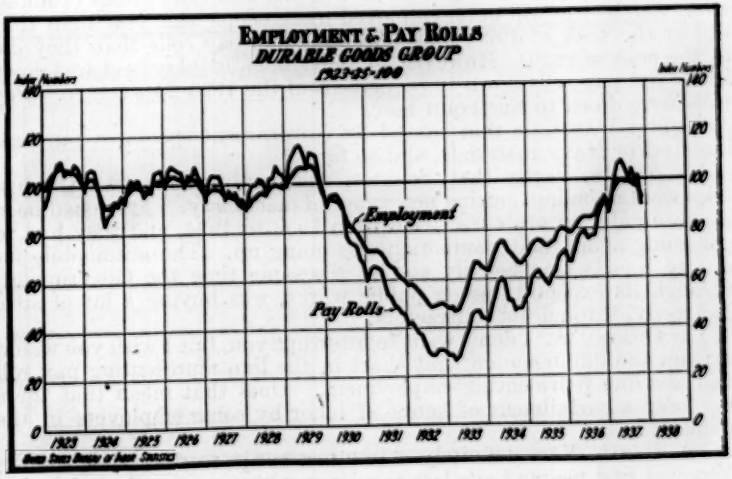
UNITED STATES BUREAU OF LABOR STATISTICS


EMPLOYMENT & PAY ROLLS
DURABLE GOODS GROUP
1923-25=100
Index Numbers
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1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938
UNITED STATES BUREAU OF LABOR STATISTICS

Mr. LUBIN. This first chart, Mr. Chairman, covers all of the manufacturing industries. Now, you will note that from the period 1923 to 1928 there was virtually no change in employment in manufacturing. The line of employment, this dash line remains virtually stationary around the hundred line, which represents the average for the years 1923–25.

Senator DAVIS. What years?

Mr. LUBIN. 1923 to 1925.

In 1929 there was a slight increase, and the index of employment rose to about 109, or 9 percent above the average for this period.

In the fall of 1929 you had a decline in employment and pay rolls, but you will note that by the late spring of 1937 employment and pay rolls had gotten back to the level of the period before the depression.

Now, let us break down that curve, which covers all manufacturing industries, into its component parts. I have it here for the durable-goods group, that is, the heavy industries—steel, construction materials, things of that sort. You will note that the trend was very much the same with the exception of the depression of 1927 and early 1928. However, the employment level in 1937 never got above a hundred, whereas the pay-roll level almost reached the peak of the 1929 period.

Now, if you will contrast that with the non-durable-goods industries, you will find that employment last fall was well above this hundred line, and pay rolls were, too, although they took a drop in the late summer after durable goods had already started to drop. Incidentally, this is the point where we were in November; this is the pay-roll point, and this is the employment. The employment level was 97.3 percent of the average of 1923–25, and pay rolls, 88.9.

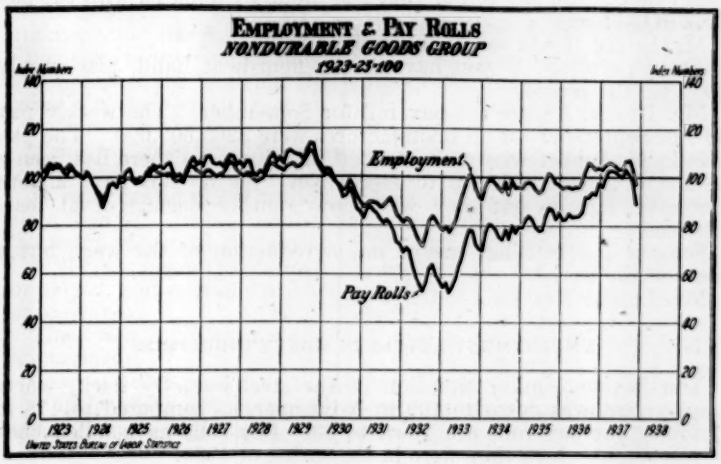
Now, here you have a picture of the iron and steel group of industries, which, you will note, employed more people this year than they did at the peak of 1929, and paid out more pay rolls than they did at the peak of 1929. However, by November, employment was down to 98 and pay rolls down to 86 percent of the 1923–25 average. Pay rolls were down to this point here.

Senator DAVIS. Is that caused by Government spending, purchasing steel or Navy materials, and so forth?

Mr. LUBIN. Partly that, Senator, and partly the fact that industries were retooling, getting new types of machinery. There had been an accumulation of depreciation from 1933 to 1934, and they had to get going again, and production was going up. The automobile industry was buying heavily and at the same time the Government, through its expenditures on public works, was buying a lot of steel indirectly, through its contractors.

The CHAIRMAN. I don't want to interrupt you, but I wish you would explain the difference on that chart in the line representing pay roll and the line representing employment. Does that mean that there has been a curtailment of hours of labor by some employers in the industry?

Mr. LUBIN. Very definitely. In other words, work is being shared. You will find people have less regular employment, so that although the number of people actually employed has not declined very markedly, the number of days of work they have has declined. The result is that the amount paid out each week in pay rolls has declined very much.


EMPLOYMENT & PAY ROLLS
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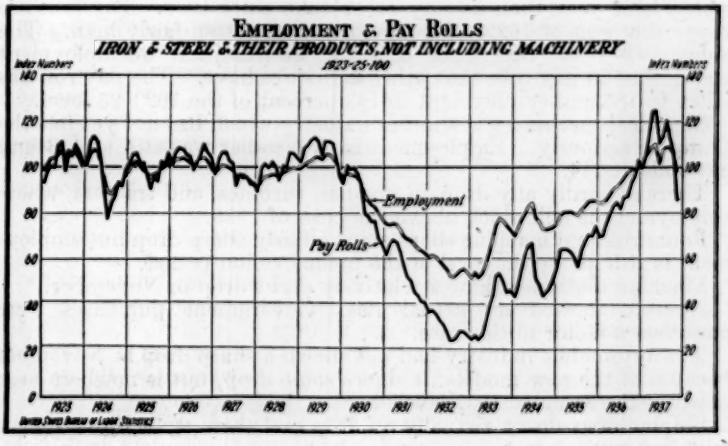
United States Bureau of Labor Statistics


EMPLOYMENT & PAY ROLLS
IRON & STEEL & THEIR PRODUCTS, NOT INCLUDING MACHINERY
1923-25-100
Index Numbers
Employment
Pay Rolls
1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937

The CHAIRMAN. You have given figures as to the number of persons employed as compared with October. I understand you to say that that does not mean that those persons employed are regularly employed, but that they may be employed in shorter hours. What is the difference between the pay roll of your last inquiry compared with the pay roll of October?

Mr. LUBIN. I will see if I have those figures.

The CHAIRMAN. If you haven't the figures at hand, just supply them for the record.

Mr. LUBIN. I have the pay roll for September. The weekly pay rolls in September for all manufactures were $203,500,000. The pay rolls in November were $182,000,000, which means there has been a decline of $21,500,000 up to December. We do not have all our December figures, but they will show another decline of at least 5 percent.

Senator DAVIS. That means not a reduction of the wage but a share of the work?

Mr. LUBIN. Yes, sir.

EMPLOYMENT LEVELS IN HEAVY INDUSTRIES

You have a similar situation in the steel industry itself, where employment was down to 109 in November, as compared to 118 in October, but pay rolls are down to 93. Pay rolls have fallen back to just about where they were in the spring of 1936.

The machinery industry, however, has not felt the slack as much as other industries. Pay rolls and employment are down to 121; they are at the level of last spring; they are higher than at any earlier time since 1929.

Agricultural implements employed more people and paid out more money this year than at any other time since 1929. Pay rolls are above the peak of 1929. Employment had gotten fairly high. The industry has not experience thus far, at least, the unemployment and decline in pay rolls that other industries have. The pay roll has fallen to 185 and employment to 143 percent of the 1923–25 level.

Electrical machinery is another industry which has not yet felt the slump so seriously. Employment in November was still at 113 and pay rolls at 114.

There is hardly any drop in engines, turbines, and tractors, where employment is still much above the peak of 1929.

Foundries and machine shops show a fairly sharp drop but employment is still above the level of the predepression period.

Machine tools also show a relatively slight drop in November.

Aircraft showed an actual rise. Government purchases were doubtless a factor in this case.

The automobile industry had not shown a sharp drop in November because of the new models; it shows some drop, but is nowhere near down to the January 1937 level.

Shipbuilding shows virtually no drop and there again Government spending was a factor.

The chemical group showed only a slight drop.

Explosives show virtually no drop.

Smelting and refining—copper, lead, and zinc—shows a relatively small drop.

EMPLOYMENT LEVELS IN PRODUCER VS. CONSUMER GOODS INDUSTRIES

I should like to bring to your attention this fact, that these industries depend, for the most part, on manufacture for consumption indirectly. In other words, the demand for iron and steel is a function of the consumer demand for automobiles and for machinery used for making other things consumers want. The industries that follow are dependent entirely upon building for their existence and I would like to emphasize the fact that this series of industries that I am going to cover now has never reached a point approximating the level of the predepression period.

Take cast-iron pipe, for example, or steam and hot water heating which never got above 83 percent of the predepression period.

In ornamental metal work the index of employment never reached more than 83. In the "lumber and allied products" group of industries the index got up to 72 percent of 1923–25 employment.

Millwork never got above 58 percent of the number formerly employed, and sawmills reached only 56 percent of their predepression employment.

The brick industry never got above 55 percent of predepression employment.

Cement never got above 70 percent of predepression employment.

Marble never got above 47 percent of its predepression employment.

In short, this group of industries never really got out of the depression.

All of these industries depend entirely upon building construction for their existence, and never have taken back anywhere near the proportion of men that they had before the depression.

Now, in contrast with those industries, there are industries dependent directly upon consumers for their markets, like men's clothing. In many of these, pay rolls have dropped back to the level of 1934.

Woolens and worsteds took a terrific drop. Pay rolls are down to 50 percent of where they had been before the depression, and back to the level of 1934.

Cotton goods are back to the level of a year ago last summer. Knit goods held up very well.

Leather boots and shoes dropped to 46. Pay rolls are back to the low point of 1933.

Carpets and rugs are back to the level of 1934.

Baking, on the other hand, held up very well, showing very little effect of the depression of the last 2 months.

Cigars and cigarettes also held up very well. Employment never got up to the point approaching more than 75 percent of where it was before the depression, in spite of the fact that the industry produced more than it ever did in its history.

Tires also went down.

Now, in summarizing, I want to emphasize that the declines in employment up to November are spotty. They are universal, in the sense that virtually every industry has shown some decline, but it has been most marked in certain consumer-goods industries, like textiles, rugs, and clothing, and in a few heavy industries, like steel. They were least marked up to November in the heavy-goods industries, by and large, and in certain industries which, like baking and aircraft,

have shown virtually no changes. Our final reports for December, however, will show sharp declines in some of the heavy industries.

The CHAIRMAN. Taking into consideration the difference in population between 1929 and 1937, how does the percentage of unemployed in September or October 1937 compare with the same months in 1929?

Mr. LUBIN. Well, Mr. Chairman, I don't know that I can authoritatively answer that question. All we can say is that you have about 2,000,000 fewer people employed, that during that period you added something between three and four million to the working population because of people coming of working age. The exact number is difficult to estimate. You have a variety of opinions as to whether a person who becomes 16 years of age and is out of school should be considered as a potential worker. Then you had about 1,800,000 unemployed in 1929. That would run your figure somewhere in the neighborhood of seven and one half or eight million.

The CHAIRMAN. I would like to ask whether you have had an opportunity to study the figures in the report to the President by Mr. Biggers as to their voluntary registration.

Mr. LUBIN. I have looked into the figures.

Senator HATCH. Before you go into that, I want to ask you if you can tell me—you have been discussing the spotty condition—did that same condition prevail in 1929 or was that more general? Can you tell me that?

Mr. LUBIN. Well, it was less general, in this sense: During the late months of 1929 you didn't have as many industries showing the downturn. Today, virtually all industries are showing some decline, and in some industries, particularly clothing and textiles, the declines are very much sharper than in 1929.

ARMAMENT ORDERS AND EMPLOYMENT

The CHAIRMAN. Well, that is true of the trend being spotty. What part has export demand for armaments by other governments played in the employment in some industries?

Mr. LUBIN. Well, it is my understanding that the actual amount of orders for armaments has been relatively small as compared to our total output. In other words, it has been a minor fraction of the total output of the industries affected. The most important items tied up with export of armaments has been certain raw materials like copper, and particularly scrap iron. We were exporting so much scrap iron that we at one time had to declare an embargo, or, rather, the railroads did, because the cars were being held up at the wharves. It is my impression that the orders for actual war materials placed in America have been relatively insignificant.

The CHAIRMAN. Has it affected the aircraft industries?

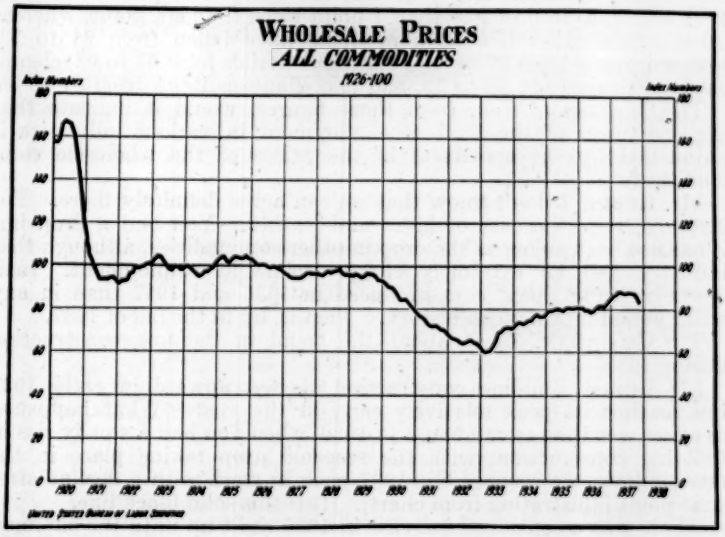
Mr. LUBIN. I don't know, I couldn't answer that, sir.

The CHAIRMAN. Reverting to the question I asked as to the voluntary registration reports. In the short time that has elapsed since publication, you have not had an opportunity to analyze them very closely, I assume, with reference not to the registration, but to the estimate that has been published as to the number who did not register, but who later, by reason of a census, were found to be unemployed. Have you noticed the number of women who are listed as unemployed in proportion to the number of women who are wage earners in the country?

Mr. LUBIN. Yes, sir.

The CHAIRMAN. What comment, if any, would you make?

Mr. LUBIN. Well, I really have two comments. My first impression was that relative to the total number gainfully employed shown by the census of 1930, the figures were a bit overloaded with women workers. Now, a further check shows that that figure was not as great as it at first appeared to be. I think that a census of this sort is subject to the difficulty that during a period of declining employment and the month of November, when this census was taken, was a period of declining employment and during periods when you already have an appreciable number of unemployed in the country, people who otherwise would not be available for work, register as wanting a job. I have in mind the case of a family where the husband has been unemployed for 6 months. The wife wants a job



because the husband does not have one, and she will declare herself as being available for work. If the husband had a job she would not be interested in a job for herself. I imagine the same thing is true of the daughters in the family and the sons as well.

The CHAIRMAN. What is the recent trend in wholesale commodity prices?

Mr. LUBIN. During recent months there has been a marked decline in wholesale prices. Since the early spring virtually every class of commodity has shown some decline in prices. From the fall of last year to the spring of this year there was a steady rise in the wholesale price of all commodities. Our commodity index includes 784 price series.

You will note from this chart that last fall, just about September, prices started upward and continued upward until April. Virtually all classes of goods showed that increase.

As a matter of fact, the index rose from 78.6 to 88 between the spring of last year and the spring of this year.

The CHAIRMAN. You mean 1936 and 1937.

Mr. LUBIN. Yes; I am sorry, 1936 and 1937. In May of 1937 prices started down and they continued down right through the month of December. The figure for April was 88, the figure for December was about 81. The drop there, you will notice, is approximately seven points, so that in December the price level was back to the early summer of 1936.

Now, the industries that accounted most, or the groups of commodities that accounted most for the increase were hides and leather products, textiles, metals, and metal products. The latter, incidentally, rose 10 points. Measuring from the low point of 1936 this means a rise of about 13 percent. In other words, metal prices continued to increase up to September 1937 and are today 96.2 percent of their 1926 levels, a drop of less than 1 point since the high point, whereas other commodities like farm products have fallen from 94 to 73. Foods dropped from 87 to 78, building materials from 97 to 92, chemicals and drugs from 88 to 79, and miscellaneous items from 81 to 75.

The CHAIRMAN. Well, from those figures, would it indicate that the spottiness of the kind of employment in various industries is parallelled by the spottiness in the prices of the wholesale commodities?

Mr. LUBIN. I don't know that we can agree definitely there. For instance, take the case of hides and leather. You had a drop but it has not been as big as the drop in other commodities, although that industry had an extremely sharp decline in employment. Incidentally, more shoes were produced in 1936 and 1937 than in any other period in American history. That is, up to the fall of 1937.

The CHAIRMAN. What about the trend in building construction during 1937?

Mr. LUBIN. Building construction started upward in early 1937 but reached its peak relatively early in the year. What happened in effect was that as compared to 1936, when you had a steady rise in building construction, with the seasonal drop taking place in the late summer, we reached the 1937 peak in April with a decline after that point [illustrating from chart]. It is this solid black line.

There was a continued increase in 1936 right up until the summer. In 1937 you will notice it reached its peak early in the year and then started downward. We were unable to maintain the pace we set early in 1937 and in terms both of employment and of the number of family dwelling units produced in the country, we didn't do any better in the year 1937 than we did in the year previously.

The CHAIRMAN. Reverting to my former question. On your tract, reverting to that chart, will it show that the lines that had the highest prices and the least decline had the worst decline in employment?

Mr. LUBIN. It will not, sir.

The CHAIRMAN. Going back to your building and construction, let me ask you about the trend of hourly rate of wages in the building industry.

Mr. LUBIN. In 1937, and I am taking May 15 as the date because it is the date at which new union contracts are made, the index of union building trades wages was 98, which is about the same as 1927.

They reached 104 in 1930 and 1931, and fell in 1932 to 89. They fell in 1933 to 87. In 1934 there was a slight increase, in 1935 a slight increase, in 1936 a slight increase, and in 1937 a slight increase.

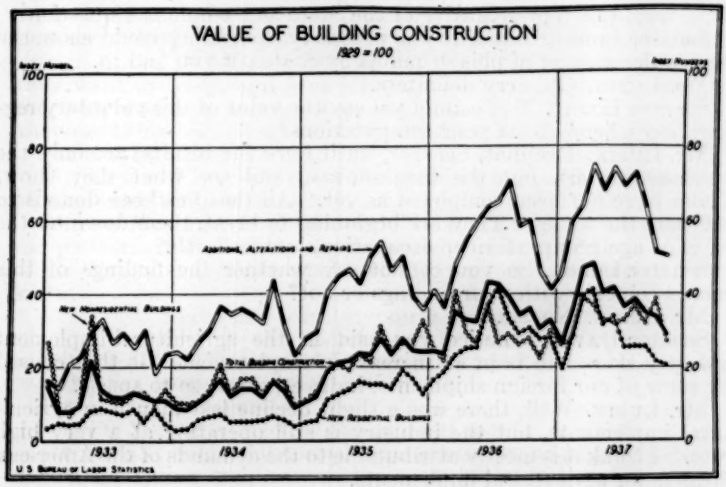
The CHAIRMAN. From your surveys and your studies of these statistics, are you prepared to make any statement as to the immediate future and factors that might influence recovery during the future?

Mr. LUBIN. Well, I don't know that I am, sir, other than what I have already stated, namely that January will probably show a seasonal decline in employment.

The CHAIRMAN. In employment?

Mr. LUBIN. Yes; due to the fact that it is a month where we always have seasonal declines.

The CHAIRMAN. Well, you mean a seasonal decline. You don't mean to say that it would be unseasonal?



Mr. LUBIN. I do not know whether it will be more than seasonal. Qualitatively it is of a different nature, it is something we always have. Industries always shut down for inventories, certain types of work are shut down because of the severer weather. We usually have these things happen in January.

The CHAIRMAN. We understand that, but do you look for a decline more than seasonal?

Mr. LUBIN. Well, in view of the fact that automobile figures will show a sharp decline in January due to curtailments that took place this week, I think, as compared to the last two Januaries, it may be slightly worse.

The CHAIRMAN. Do you see any factors that could contribute to increased employment in any other line?

Mr. LUBIN. One gets the impression from such scattered information as he can get, that certain types of inventories have been eaten into and if they have been eaten into sufficiently fast no doubt wholesalers and retailers, in order to keep shelves from being empty will

have to start buying again. I don't know just how far inventories have been cut.

Senator LODGE. Mr. Lubin, your office makes a monthly statement on the decrease or increase of employment, does it?

Mr. LUBIN. Yes, sir.

Senator LODGE. And has been doing that for some years?

Mr. LUBIN. Ever since 1919, I think.

Senator LODGE. Is your office in a position to show that by States?

Mr. LUBIN. Yes; but only on a limited basis. Our survey, of course, covers all types of industry. We cover 89 manufacturing industries and 16 nonmanufacturing industries. We publish percentage changes from month to month by States but we do not publish aggregate numbers by State. The only figures that we show by States do not cover the State as a whole but rather the changes that occur from month to month for identical firms, but whether or not those firms would be representative of the State as a whole is a question.

Senator LODGE. But if it was necessary your office could show the percentage change of plus or minus by States, if you had to.

Mr. LUBIN. Oh, very definitely.

Senator LODGE. You cannot yet say the value of this voluntary registration scheme, from your computations?

Mr. LUBIN. I cannot, Senator, until I see the results, not only the published totals, but the break-downs, and see what they show. Those have not been completed as yet. All that has been done is to tabulate the totals. They are beginning to break them down on the basis of age groups, former occupation, and so forth.

Senator LODGE. So you cannot say whether the findings of this census coincide with your findings or not?

Mr. LUBIN. No, sir.

Senator DAVIS. I notice you said in the agricultural-implement industry there had been an increase in employment. Is that caused by some of our foreign shipments, indirectly war, so to speak?

Mr. LUBIN. Well, there was a slight decline last month in agricultural implements, but the industry is still operating at a very high rate. I think it is mostly attributable to the demands of the American farmers for agricultural implements.

Senator DAVIS. Isn't it due to the fact that England turning all her agricultural implement manufacturing into war materials, gives us the market in Australia?

Mr. LUBIN. I wouldn't know that, sir.

Senator DAVIS. What was the unemployment figure for last month?

Mr. LUBIN. We have no definite official figures.

Senator DAVIS. There was, during 1921, a depression, and at that time, I believe, about 5,735,000 were out. Wasn't that so?

Mr. LUBIN. Yes, sir; there was considerable unemployment.

Senator DAVIS. And the estimates that were given out by many different organizations at that time ran between 8 and 10 millions. I mean, these sorts of wild estimates that are usually made by these organizations that have not the facilities you have for gathering this information——

Mr. LUBIN. Of course, Senator, we do not make estimates of unemployment in the sense, for example, that this census would show it.

Senator DAVIS. I understand that, but there are several organizations around making statements of that kind, that they do that sort of work.

Did the conditions in the Northwest in the lumber industry, with strikes, and so forth, have any influence upon your statistical data that you are furnishing here today?

Mr. LUBIN. They had an influence in the sense that it affected employment in sawmills and the lumber industry, but despite that fact, the lumber industry in this country never got back to anywhere near what it had been prior to that time.

Senator MURRAY. You say there are fewer industries showing a decline in the present recession than in 1929?

Mr. LUBIN. No; more.

Senator MURRAY. More showing a decline?

Mr. LUBIN. Yes.

Senator MURRAY. What effect has the used-car problem had on the automobile industry in causing a decline at this time?

Mr. LUBIN. Frankly, I am not an expert on automobile sales, but from what one gets from the industry, it appears that for a major portion, a very large portion, of cars they sell they must take old cars in trade. In other words, most people that buy cars have a car they want to trade, and from what people in the industry have told me, people are not buying these used cars from the dealers, so that they are being backed up on the dealers' hands.

Senator MURRAY. And the dealers cannot sell new cars?

Mr. LUBIN. They don't want to take in any additional old cars, so they can't sell new ones.

Senator MURRAY. If there would be some solution of that used-car problem, it would help the situation, wouldn't it?

Mr. LUBIN. I think it would, some, but just how much I do not know.

RECESSION OF 1937 COMPARED WITH 1929

Senator MURRAY. Has not the decline in some industries been more rapid in this recession than in 1929?

Mr. LUBIN. Yes, sir.

Senator MURRAY. What is the cause of that?

Mr. LUBIN. Some industries were producing at a very high rate during the spring months, and the early fall of 1937. For example, take cotton textiles. I have a friend, a large manufacturer, who tells me he has 12,000,000 pounds of finished product in his warehouses. He was turning out more cotton products in the early spring of this year than at any time before. If you look at the raw cotton consumption figures you will find they were very high early last spring. If you look at the woolen mills, you will find they were employing more people than for many years. Many industries, in anticipation of higher prices, were making more than they could sell. In other words, they were building up inventories on the theory that prices would be higher. The same is true of the wholesaler who figured that if he ordered goods at lower prices, he could sell them for more when he got them.

Senator MURRAY. That doesn't apply to all the industries, does it?

Mr. LUBIN. No, sir.

Senator MURRAY. Take, for example, in the copper industry, they had enormous supplies of copper on hand in 1929 and they continued to operate just the same and produce more copper. In this recession, while there are no enormous supplies of copper on hand, they immediately shut down. Isn't that true?

Mr. LUBIN. Yes, sir.

Senator MURRAY. What was the justification for such a sudden shutting down in that industry?

Mr. LUBIN. I think that that was primarily due to the fact that the war demand for certain raw materials has led to speculative buying. The price of these raw materials became uneconomically high, a fact which the President brought to public attention. Last spring you had a sudden drop in the price of certain of these raw materials. The people who were speculating disappeared from the market and orders disappeared.

Senator MURRAY. Still there was no large supply on hand, and was there a justification for such a sudden laying off of employees in the industry? For instance, in my town, where I live, they laid off something like 3,000 men all at once, without any warning, and the question occurred to me, in view of that fact that there was no large supply of copper on hand, that there wasn't any actual justification for such a sudden cessation of employment.

Mr. LUBIN. I can't explain why that particular firm in your city did that. I do know this: That many firms who in the past have spread their work, have, during recent months, cut down their labor supply rather than maintain it and spread work. That is not universal, but I know firms who spread work in 1929 and are not spreading it today.

Senator MURRAY. In other words, they are making no effort to assist in the present situation; they are making no effort to assist in the prevention of unemployment at this time, as they did in 1929?

Mr. LUBIN. I don't believe there was a deliberate desire to make no effort. Some, I think, felt that in 1929 they overdid it and consequently had difficulty in holding on in months to follow. In other instances it may have been due to the fact that their inventories were so large that they felt they could not invest more funds in inventories when they didn't know what was going to happen to prices.

Senator MURRAY. Of course, they had all made enormous profits during the first 9 months of the year, had they not?

Mr. LUBIN. I wouldn't say all; a lot of them did.

Senator MURRAY. Take, for instance, the copper industry, Anaconda copper, for instance, had made greater profits in the first 9 months of 1937 than in any other year in its history, I believe.

Mr. LUBIN. I did not know that, sir.

Senator LODGE. Mr. Lubin, I was interested in what you said about the shoe industry. I understood you to say that there were more shoes manufactured in 1936 and 1937 than in any year in the history of the industry.

Mr. LUBIN. In the year 1936 there had been more made than ever before, and this was again true during the first 8 months of 1937.

Senator LODGE. To what do you attribute that?

Mr. LUBIN. I attribute it to the fact that you had a demand for a certain type of consumer goods. Pay rolls were rising steadily and people were buying.

The CHAIRMAN. You were producing more shoes at the same time you were producing more automobiles?

Senator LODGE. Well, I don't think we can explain that this morning.

That condition is similar to that condition in the textile industry that you described, that that friend of yours told you about who had all this manufactured cotton on hand?

Mr. LUBIN. I will say this, Senator: There have been very marked changes in the shoe industry in recent years. Apparently, the industry, instead of trying to sell a woman two pairs of shoes for a whole year, by changing their styles more frequently, tries to sell her four pairs. They have been producing cheaper shoes, on the theory that women are going to buy four pairs, anyway, and they do not have to last as long.

Senator LODGE. But that tendency in the shoe industry is similar to the incident in the textile industry that you described, isn't it?

TAXES AND INVENTORIES

Mr. LUBIN. I don't believe the inventories in the shoe industry are anywhere near as great as in textiles.

Senator LODGE. Would you say that Government tax policies had anything to do with the creation of inventories?

Mr. LUBIN. I don't think it had anything to do with it. The fact is that industry was very confident that it had a good future to look forward to. They had a good deal of confidence in the future, and they put their resources into inventories, on the theory that they would make more money later on.

Senator LODGE. Not because of any tax inducements?

You said there was a loss of employment in the cigarette industry because of the increasing use of machines. Where are those machines made?

Mr. LUBIN. I don't know. It is a specialized type of machinery, I think some of the cigarette people make their own machines.

Senator LODGE. You couldn't show how large the employment was in making machines as compared with the loss of employment in making cigarettes?

Mr. LUBIN. No.

The CHAIRMAN. Mr. Lubin, you referred to the farm-implement machinery, and I think you said there had been no material decline.

Mr. LUBIN. Relatively slight.

The CHAIRMAN. Relatively slight. Do you think that the payment of farm benefits by the Government contributed in a measure to preventing a decline in the production of farm implements?

Mr. LUBIN. I am sure of it, Senator. If you look through our list of industries, and see which had the most marked increases, you will find that the two outstanding ones are agricultural machinery and wire.

Senator CLARK. That is because the farmer has a big back load and wants new machinery now and was not able to buy the machinery that he needed.

Mr. LUBIN. He could not pay for it.

Senator CLARK. That is what I said. As soon as he got money in hand he put it into circulation by buying things that he needed for years.

Mr. LUBIN. That's right.

INDUSTRIAL INTERDEPENDENCE AND DISLOCATION

The CHAIRMAN. The spottiness of the recent employment decline indicates that as time goes on our system develops greater dislocation as between one and the other?

Mr. LUBIN. That is a theoretical question, and it is difficult to answer. I would say that as we become more and more interdependent, as our population grows, as our industry becomes more mechanized, as we do more things to add to our standard of living, that the trend would be to more dislocation unless we have some sort of balance between industry, agriculture, and trade, and unless we have some sort of balance between the incomes of these groups. There must be a possibility of one group consuming the products of other groups. If agricultural income falls faster than the income of workers, the agricultural group will be less able to buy the products of factory workers. Similarly, if the income of laborers falls faster than the income of agriculture, they will have less ability to buy the products of the farmers.

And, incidentally, such figures as we have on manufacturing pay rolls, going back to 1919, if compared with the income of the farmers, show that as pay rolls go down, farm income from butter, for instance, goes down. Similarly, as the income of labor goes up, the income of the farmer goes up.

EMPLOYMENT VS. PRICE DECLINE

The CHAIRMAN. As between industries, let me ask this: What would you say as to the relative decline in those industries where prices had not declined? Was the decline in employment greater in those industries where prices were maintained or increased?

Mr. LUBIN. I think you have two groups of industries there, Senator. One group of industries whose prices did not go down as much as other prices during the depression, hence did not go up, and another whose prices went up relatively fast and stayed up. Now, those industries for the most part, did not increase employment as much as some other industries did, where you have more flexible prices. I have in mind certain building materials, for example, where the price reached a relatively fixed point and stayed there and did not go down much during the depression, as much as other prices did. On the other hand, you have industries where prices are as high as 1929 and relatively higher than in 1929, which have been doing very well up until late summer.

Steel is a case in point. Now, that industry raised its prices on several occasions in the past 3 or 4 years. Taking metal and metal products as a whole, their prices are higher relative to other prices than they were in 1929. This does not necessarily mean, however, that steel prices were actually higher than in 1929. It should be noted that employment in the steel industry was greater in 1937 than in 1929.

The CHAIRMAN. If the committee has no further question, Mr. Lubin may be excused.

(The following tabulations were submitted by Mr. Lubin:)

Total nonagricultural employment

[Thousands of persons]

	November 1929	November 1936	November 1937	Increase (+) or decrease (−) November 1929–November 1937	Increase (+) or decrease (−) November 1936–November 1937
Total	36,406	34,212	34,245	−2,161	+33
Employees	29,242	26,980	26,908	−2,334	−72
Industry	16,238	14,256	14,071	−2,167	−185
Manufacturing	9,630	9,252	9,191	−439	−61
Mining	1,042	871	897	−145	+26
Construction	1,927	1,370	1,186	−741	−184
Transportation	2,496	1,857	1,850	−646	−7
Public utilities	1,143	906	947	−196	+41
Distribution and service	13,004	12,724	12,837	−167	+113
Trade	6,231	5,799	5,917	−314	+118
Finance	889	790	796	−93	+6
Service and miscellaneous industries	2,637	2,552	2,588	−49	+36
Government, education, and professional services	3,247	3,583	3,536	+289	−47
Management, proprietors, and self-employed	4,089	4,257	4,288	+199	+31
Casual workers	3,075	2,975	3,049	−26	+74

Total nonagricultural employment in the United States

[Thousands of persons]

	1929	1930	1931	1932	1933	1934	1935	1936	1937
January	34,876	34,630	31,456	28,608	26,289	28,762	30,302	31,610	33,593
February	35,025	34,342	31,071	28,420	26,228	29,247	30,598	31,628	33,921
March	35,355	34,281	31,213	28,239	25,946	29,834	30,888	32,064	34,408
April	35,857	34,534	31,512	28,027	26,318	30,259	31,272	32,619	34,681
May	36,254	34,659	31,545	27,725	26,723	30,686	31,348	32,994	34,991
June	36,549	34,491	31,434	27,428	27,397	30,786	31,419	33,312	35,064
July	36,690	34,079	31,069	27,055	27,883	30,541	31,404	33,511	35,048
August	36,989	33,788	30,826	27,063	28,655	30,563	31,677	33,698	35,054
September	37,049	33,716	30,720	27,409	29,278	30,404	32,011	34,032	35,121
October	37,026	33,462	30,397	27,628	29,531	30,726	32,335	34,308	35,044
November	36,406	32,834	29,760	27,332	29,326	30,583	32,218	34,212	34,245
December	35,620	32,282	29,438	27,000	29,143	30,714	32,316	34,423	----------
Average	36,141	33,925	30,870	27,661	27,726	30,259	31,482	33,201	----------

The CHAIRMAN. I will call Mr. Persons.

STATEMENT OF W. FRANK PERSONS, DIRECTOR OF THE UNITED STATES EMPLOYMENT SERVICE

The CHAIRMAN. Mr. Persons, are you the Director of the United States Employment Service?

Mr. PERSONS. Yes, sir.

The CHAIRMAN. What is the relation of the United States Employment Service to the State employment service in the various States?

Mr. PERSONS. In every instance there is a contractual relationship between the United States Employment Service and the State employment service whereby the State employment service undertakes to observe our standard practices and procedures and to make to us

stated reports of uniform character. We, of course, make grants of money to the States. So, in effect, although each State service is autonomous, the State employment services have uniform procedures and practices and, in consequence, there is achieved a national employment service.

The CHAIRMAN. Now, what is the contact between your office here in Washington and the various employment offices in the various States? Do you keep in touch with what is going on in those offices each day or each week?

Mr. PERSONS. The formal contacts are by stated reports which are monthly. The personal contacts are often the more important, and are made by members of my staff who make field visits. Occasionally we hold conferences of all State directors in Washington.

The CHAIRMAN. What information has come to your Service in recent weeks indicating the extent and severity of the industrial recession?

Mr. PERSONS. I have presented to members of the committee a statement that I have prepared in answer to that question.

The CHAIRMAN. Go ahead and read it, then, and then we will ask you some questions.

Mr. PERSONS. This statement compares our records with the Federal Reserve index of industrial production. Those indices of the Federal Reserve, of course, are predictions. Our records are indications of conditions actually existing.

The interesting thing is that the record of the decline in number of placements in private industry closely parallels the line of diminishing production as stated by the Federal Reserve index; but there is a lag of about 2 months in the effects as disclosed by our records.

The worker who loses his job does not at once, ordinarily, apply to the employment service for reemployment. The reasons we do not fully know, but, of course, he, often, expects to go back to his ordinary occupation. Moreover, the effect of the decline in manufacturing industries is not immediately made evident in the distributive industries, in which, of course, a great many people work. Their loss of work is later than the loss of employment in manufacturing.

Our figures show a steady increase in the number of private placements per month from January of 1936 until September of 1937. The number of private placements in January of 1936 was 62,000 and the number of such placements in September of 1937 was 240,000. There were some slight interruptions of that ascending curve in June and July of each of the 2 years, which were seasonal; but the first sharp drop in the number of private placements occurred in October 1937 and was accentuated in November. We have no figures for the December placements as yet.

The number of placements in private industry in November was 26 percent less than in September of 1937.

That is the gist of my paper, which in full, with its table and charts, follows:

EMPLOYMENT AND RECESSION

Although the standard indicators of business activity have been dropping steadily since late summer, the full effects of the current recession on employment have more recently become evident. This is true of the Employment Service reports just as it has been true of the employment indices of the Bureau of Labor Statistics.

The business indices are, in a sense, predictors rather than indicators of changes in the employment situation. Many of their more important components are concerned with primary factors in production, such as steel and lumber. While a decline in steel production indicates, of course, lessened employment in the steel industry, it may, and in this case did, predict lower levels of employment in the industries using steel, such as the manufacture of automobiles and railroad equipment. Similarly, lower rates of production in the manufacturing industries precede both diminished purchasing power and diminished volume of goods for distribution; so that changes in employment in manufacturing come earlier than changes in employment in distributive and service trades.

It is only to be expected, therefore, that the Employment Service data, like other data bearing on employment and unemployment, would not immediately reflect the effects of the current depression. Furthermore, there is an interval after a worker loses his job before he applies to the employment office for work. As a matter of fact, analysis of earlier Employment Service statistics reveal a lag of 2 or 3 months before the number of registrants in the active file responds to changes in the Federal Reserve Board index of industrial production. Consequently, through the first 2 or 2½ months, during which the business index was declining, the number of job seekers in the active file continued to decline, as it had done almost continuously for a year. This decline came to an abrupt stop in November. The active file at the end of that month was a fraction of a percent higher than in October, as compared with declines of 4 and 5 percent in the 2 months preceding. It may be expected that the December figure will show a rather significant increase.

The active file, however, since it contains a very large reservoir of unemployed, is less sensitive to rapid changes than some other Employment Service data, as for example, private placements. Here the effect of the recession is more obvious. After a general rise for 21 months, from 62,000 in January 1936 to 240,000 in September 1937, the volume of private placements (corrected for the number of working days in each month) dropped 26 percent between the end of September and the end of November of this year. With the exception of recurring declines in June and July (which appear to be seasonal) this is the only significant decline in nearly 2 years. As a matter of fact, although every previous month of 1937 showed more private placements than the corresponding month of 1936, the figure for November 1937 was a little less than it had been a year earlier. Previous experience has shown a very close correlation between the fluctuation in private placements and fluctuations in the general level of business activity and employment. This sharp drop over the last 2 months can, therefore, be considered significant.

Similar tendencies are evident in the fluctuations in the number of new applicants for employment. New applications, which have a distinct downward trend because so many workers have already registered with the service, have increased during the last 3 months. Regular renewals, the other source of applications, were 20 percent greater in October than September, and 21 percent greater in November than in October. As a result of increases in both of its components, the sum of total applications, which had been declining, increased 12 percent between September and October and 13 percent between October and November and rose, for the first time in 6 months, above the level of the year before. These changes, like those in private placements, can confidently be said to reflect sharp increases in unemployment.

The Employment Service data do not extend far enough back to make seasonal adjustments possible. Although data for five autumns are accumulated, what might be a normal seasonal movement is obscured in the case of 1933 by the flood of applicants for Civil Works Administration assignment, and in the case of 1935, by the large scale registration of Works Progress Administration workers. A comparison of the 4 months, August through November of 1937 with the corresponding months of 1936, however, indicates that the sharp changes described above do not seem primarily from seasonal causes. The first 9 months of 1937 showed characteristic and consistent trends; the active file was falling, current applications were falling, and private placements, in the main were rising. The fact that all of these trends were reversed between the end of September and the end of November suggests strongly that they reflect the increases in unemployment arising from the recession in business.

It is, of course, difficult to predict the trends for the immediate future. It is likely that December will witness a rise in the active file and in the number of applications, coupled with another sharp drop in private placements. The introduction of unemployment benefits in 22 States in January will further increase the number of applicants, while the low level of employment and the

additional load on employment office personnel may diminish the volume of placement activity. The trend beyond January will depend on the trend in business; but judging from past experience, the improvement in business, when it comes, will not be immediately reflected in Employment Service data. In the case of the active file, the lag may be 2 or 3 months; in the case of applications and placements, somewhat less.

Month to month change in selected employment service data, 1936 and 1937

Month	Percent change each month from preceding month									
	Private placements [1]		Total applications [1]		New applications [1]		Regular renewals [1]		Active file [2]	
	1937	1936	1937	1936	1937	1936	1937	1936	1937	1936
January	−6.3	−1.9	+3.4	−9.3	+6.5	−17.1	+1.1	−0.3	−0.5	+0.1
February	+9.6	+16.8	−15.1	−19.9	−10.3	−10.6	−19.0	−28.9	−2.7	−2.4
March	+3.1	+28.8	+3.1	−5.5	−9.5	−5.9	+14.3	−5.1	−10.1	−3.2
April	+18.1	+19.1	−1.7	−5.9	+6.2	−17.6	−7.2	+8.3	+.4	−5.5
May	+17.0	+25.9	−4.7	+8.5	+1.4	+2.7	−9.1	+13.8	−3.8	−5.8
June	−12.5	−11.5	+8.6	+14.3	+15.7	+20.0	+1.7	+9.7	−5.5	−10.6
July	−5.6	−6.5	+1.3	+5.6	−10.8	+4.9	+13.7	+6.3	−1.5	+3.7
August	+7.6	+15.4	−9.6	+.6	−5.9	+1.2	−12.6	+.03	−1.8	+1.5
September	+9.7	+31.4	+1.6	−4.0	+2.6	−5.6	+.7	−2.5	−4.5	+.1
October	−14.1	−3.0	+11.9	−6.1	+2.2	−5.7	+20.4	−6.5	−5.3	+.9
November	−23.4	+2.0	+14.0	+3.8	+5.0	+5.7	+20.6	+2.2	+.6	−.8
December		+1.4		−5.9		−15.3		+2.8		−7.8

[1] Corrected for number of working days in each month.
[2] Data for January–June 1936 corrected for cancellations.

REGISTRATION PROCEDURE

The CHAIRMAN. Well, let me ask you, in the States where we have established organizations for the administration of unemployment insurance, as a rule, is the employment service made a part of the same organization?

Mr. PERSONS. In every one of the 23 States that are now engaged in the payment of benefits, the Employment Service is a coordinate branch of some State executive department. The other coordinative branch is for the administration of unemployment compensation.

The CHAIRMAN. How soon would you expect to learn from your State offices in those States the number of persons who are out of employment and who will register with the Employment Service in order to secure employment?

Mr. PERSONS. We will have complete figures for January 1938 by February the 15th.

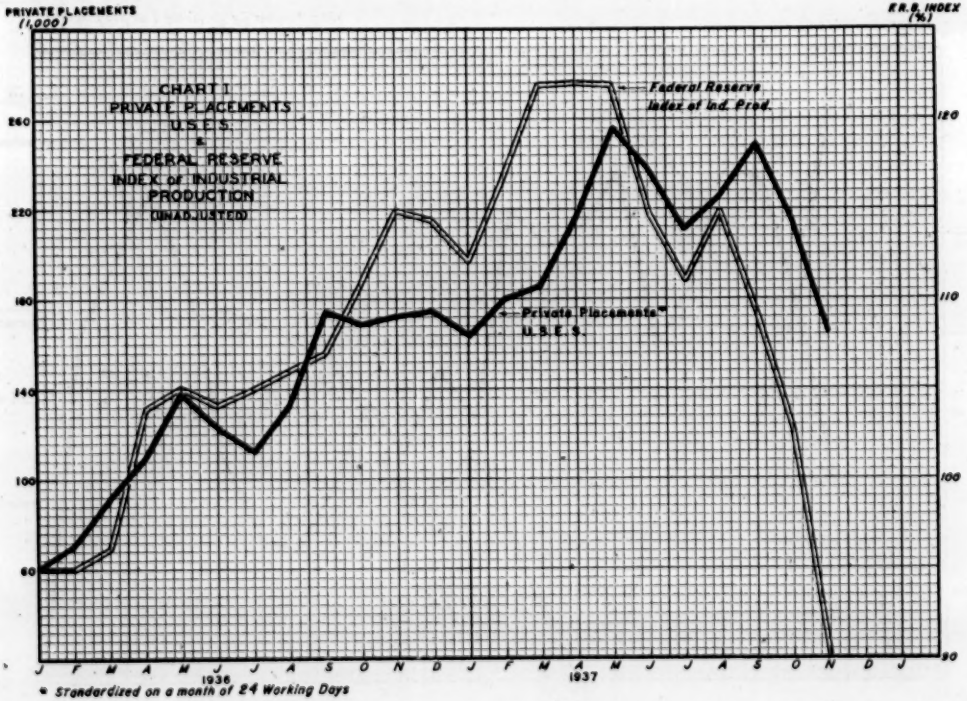
The CHAIRMAN. You mean in those States where the laws go into effect January the first that it would be February 15 before you would know how many of those persons who are out of employment and entitled to insurance benefits are seeking employment?

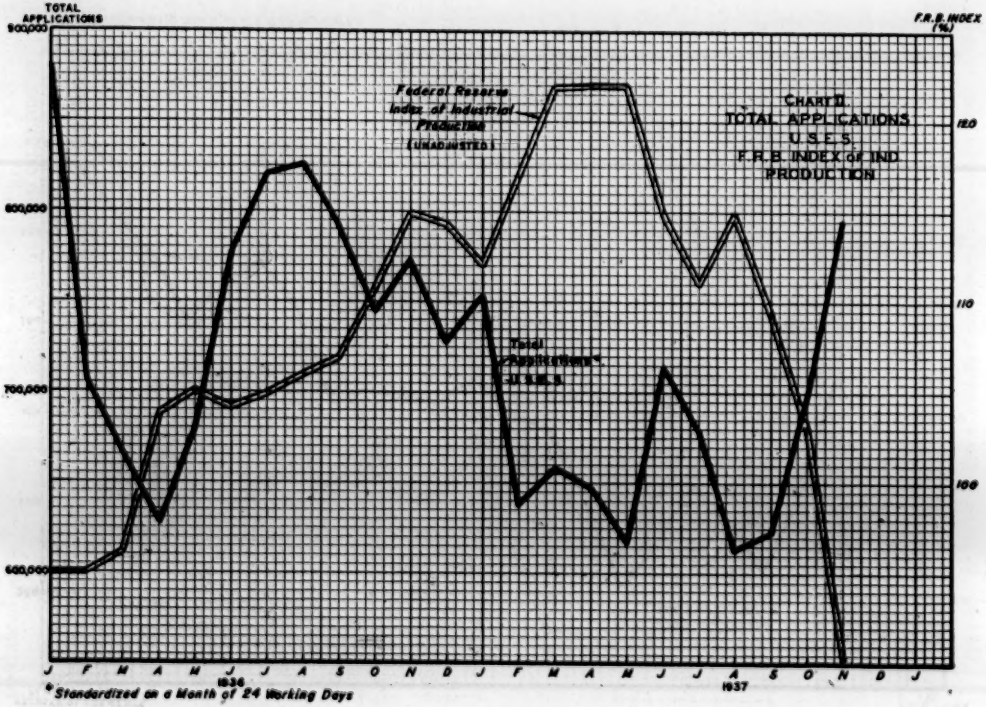
Mr. PERSONS. That would be our normal time to get our facts together. It could be done at any time.

The CHAIRMAN. The man who was out to lose his job is presumed to notify the office in the State in charge of insurance benefits that he is out of a job. Is that right?

Mr. PERSONS. That is true.

The CHAIRMAN. Would that information be immediately communicated to the employment service?


PRIVATE PLACEMENTS (1,000)
F.R.B. INDEX (%)
CHART I
PRIVATE PLACEMENTS U.S.E.S.
&
FEDERAL RESERVE INDEX of INDUSTRIAL PRODUCTION
(UNADJUSTED)
Federal Reserve Index of Ind. Prod.
Private Placements* U.S.E.S.
260
220
180
140
100
60
120
110
100
90
J F M A M J J A S O N D J F M A M J J A S O N D J
1936
1937
* Standardized on a month of 24 Working Days


TOTAL APPLICATIONS
F.R.B. INDEX (%)
Federal Reserve Index of Industrial Production (Unadjusted)
CHART II.
TOTAL APPLICATIONS U.S.E.S.
F.R.B. INDEX of IND. PRODUCTION
Total Applications* U.S.E.S.
500,000
600,000
700,000
800,000
120
110
100
J F M A M J J A S O N D J F M A M J J A S O N D J
1936
1937
*Standardized on a Month of 24 Working Days

Mr. PERSONS. The State employment services will know all such facts in their local offices daily. We can, at some expense, get those facts reported to us week by week, but that is not our normal procedure.

The CHAIRMAN. But there is no provision made for it, as it now stands?

Mr. PERSONS. Not as yet.

The CHAIRMAN. Do you know of any reason why the day that a worker notifies the organization in charge of insurance benefits that he is out of a job, that that information should not be communicated to the employment service and that employment service charged with the duty of trying to find him a job?

Mr. PERSONS. That is what occurs in each instance.

The CHAIRMAN. Then if you do not learn about it for 6 weeks, though, for 6 weeks he would be out of a job, drawing insurance benefits, and the employment service would not know of it and would not be able to make an effort to help him?

Mr. PERSONS. Let me explain it more fully. A man who is out of work and entitled to unemployment compensation applies for work at the local office near which he lives. That local employment office knows instantly of his desire to work. There are 1,800 local offices in the United States. A State may have 25 local offices, if it is a small State. The State office collects the statistics from the local offices and we collect our statistics from the State offices. It is a time-consuming and rather expensive process to compile these statistics. We can get them daily if we need to, but we normally get them monthly.

The CHAIRMAN. Well, regardless of your getting them, here in Washington, why should we not require the official of the Government who is advised by the worker that he is out of a job today, why should we not require him to communicate with your service if the function of your service is to help him to secure a job?

Mr. PERSONS. You may have misunderstood the practice. The man applies at the employment office for a job——

The CHAIRMAN. You misunderstand me. The first thing that he is going to apply for is his insurance benefit.

Mr. PERSONS. No; he applies first for a job.

The CHAIRMAN. There isn't any law requiring a fellow who is out of a job today to put his name on the roll of the Employment Service in order to get half his wages.

Mr. PERSONS. It is the common procedure.

The CHAIRMAN. Assuming John Smith did not know anything about your administrative order, John Smith is out of a job, and he has to provide food for his family, and he wants to get on the rolls for insurance benefits, and assume now that he does advise the employment insurance office that he is out of a job, wouldn't it be of service to have that insurance office communicate immediately with your office to advise you?

Mr. PERSONS. The mere information given to us that a man is out of a job would be of no advantage because we would have to see the man and size up his skill and experience before we could help him.

The CHAIRMAN. The local employment insurance company has his card, haven't they?

Mr. PERSONS. No, Mr. Chairman.

The CHAIRMAN. They haven't a card for this worker out of a job?

Mr. PERSONS. There is no opportunity for a man to make application either for work or for his benefit payment in any of these States except at the employment office.

The CHAIRMAN. I just ask you to assume that my name is John Smith, and that I have been discharged today, and that I go to an office in the State, the employment insurance office, and I register for insurance benefits, Now, would you object to being advised that today I am out of a job?

Mr. PERSONS. We would expect to be so advised.

The CHAIRMAN. All right. Would you object to some requirement that the unemployment insurance office advise you immediately?

Mr. PERSONS. Not in the least, but I wish to say that those orders are already made.

The CHAIRMAN. Orders are made for what?

Mr. PERSONS. That the man must first apply for a job.

The CHAIRMAN. Orders to whom?

Mr. PERSONS. To those unemployed.

The CHAIRMAN. If he doesn't come to you first, you couldn't order him until he comes to you, could you?

Mr. PERSONS. If he doesn't come to us first he has no valid claim for his benefit.

The CHAIRMAN. You just insist that he come to you first, that will be all right, if he can't get any help unless he comes to you first that is too bad. We will have to devise some way of fixing that. As a matter of fact, your office is in the same office with the unemployment insurance organization, isn't that right?

Mr. PERSONS. Yes; but it is more accurate to state that the unemployment compensation claim agent is in our office.

The CHAIRMAN. I recognize that. Well, he is in your office. Now, when he comes to your official and he finds the unemployment insurance office there, and he reports, that man is not handled by the same official, is he?

Mr. PERSONS. Oh, yes.

The CHAIRMAN. Now, he advises—he takes up that unemployment insurance benefit and he will advise Washington headquarters, will he? Will he send that information here at all?

Mr. PERSONS. You are talking about Mr. John Smith making a claim for benefits?

The CHAIRMAN. Yes; and when he applies to the official in charge of employment insurance benefits, does the local official communicate that information to anybody in the Social Security Board?

Mr. PERSONS. In my judgment; no.

The CHAIRMAN. He would not? He would then discuss it with the official or someone in the same office, would discuss the question of trying to secure a job?

Mr. PERSONS. Yes.

The CHAIRMAN. Then what do you do for him?

Mr. PERSONS. His name is placed in our file of active applicants, and every time we have a job offered to us of the nature for which he is qualified, his card, among others, is reviewed to determine whether or not he should be referred to that job.

The CHAIRMAN. Along that line, what efforts do you make to place those men? I don't mean to wait for information as to vacancies, but what efforts do you make to try to locate a job to which you could recommend him?

Mr. PERSONS. We have an active field program of visits to employers. The representative of the local employment office does not, however, peddle particular individuals to employers. The representative of the employment office represents the nature of the service and solicits the employer's orders for that local office. Then, when the order is received, the most suitably qualified person is referred to the employer. It is because we have conducted that field program that our private placements advanced from 62,000 in January 1936, to 240,000 in September of 1937.

The CHAIRMAN. You do make an effort then to enlist the cooperation of employers?

Mr. PERSONS. Yes, indeed.

The CHAIRMAN. To advise you of their need of men?

Mr. PERSONS. That is true.

The CHAIRMAN. Has there been a general willingness on the part of employers to assist in this way?

Mr. PERSONS. Gratifying and increasing.

The CHAIRMAN. What reasons would they give for not cooperating with you in those cases where they have failed to do so?

Mr. PERSONS. The reasons would be various. Most customarily among large employers, they are reluctant to depart from their own system of personnel management.

The CHAIRMAN. Do you have such information as to qualifications of the individual that you can furnish to the prospective employer a very good picture of the individual?

Mr. PERSONS. That is true. We do.

The CHAIRMAN. Do you send him to the personnel official of the employer for a personal interview?

Mr. PERSONS. Invariably.

The CHAIRMAN. And as the result of the cooperation the number of placements has greatly increased?

Mr. PERSONS. That is true.

The CHAIRMAN. What has been the trend in recent weeks as to the number of men applying to the employment service for assistance?

Mr. PERSONS. The number of applications, first of all—there are two kinds of applications that we recognize. The application made by a man for the first time, we call a new application. Then a regular renewal is a reapplication by a man that has been known to us and after some little time has again sought our assistance. If you will turn to the table, Senator, that is attached to my statement, you will note that the total applications in October 1937 increased 12 percent above the preceding month, and in November of 1937 increased 14 percent above October. That is a very significant change, particularly in view of the fact that it is a reversal of trend.

The CHAIRMAN. With reference to these 23 States in which the employment insurance becomes operative January 1, have you today any reliable indication of the number of unemployed applicants in those States at this time?

APPLICATIONS FOR WORK PER DIEM

Mr. PERSONS. We have, of course, the number of applicants in our active file for each State, respectively, as of November 30. It might be interesting to know that a telegram this morning states that, in the State of Connecticut, 50,000 applicants for work and for unemployment benefits were registered on yesterday.

The CHAIRMAN. Fifty thousand?

Mr. PERSONS. Yes; in 1 State in 1 day.

The CHAIRMAN. Now, to get back to the question that I asked you originally, possibly I didn't make myself clear. If you can tell us that today there are 50,000 in Connecticut yesterday who applied, that is what I wanted to know—how quickly you would get information from the States. You, in this instance, got it immediately. Is there any reason why you couldn't make such an arrangement with each of the States, the 23 States?

Mr. PERSONS. There is no reason except expense, Mr. Senator, why we couldn't have it daily or weekly, from these 23 States.

The CHAIRMAN. It would give to us——

Mr. PERSONS. Yes, sir.

The CHAIRMAN. And it would enable us to state the total number, especially in these 23 States.

Mr. PERSONS. Yes, of course. You will appreciate that in these 23 States our active file hereafter will be of much more significance than heretofore, because heretofore applicants for our service have been wholly voluntary, but from now on every unemployed person entitled to a benefit must register.

The CHAIRMAN. If it were in effect today in every State in the Union you ought to be able, by looking over the cards of the men who have notified your office that they are unemployed, to tell exactly how many men have lost their jobs in the Nation, couldn't you?

Mr. PERSONS. That is true, if they registered.

The CHAIRMAN. But, with the situation as it stands in the 23 States, will the information you have provide any check upon the voluntary registrations in November conducted by Mr. Biggers' organization?

Mr. PERSONS. Except for the disparity in the time, November as compared to February, I think the comparison would be very significant.

The CHAIRMAN. Except for the time. Then, you mean to say it is impossible for you to tell the number as of the date that that registration was made?

Mr. PERSONS. Yes; we don't know how our figures at the end of January would reflect conditions in November when it was made.

The CHAIRMAN. I think we would all agree that conditions would be entirely different if you have no way of going back to the same date.

Well, taking the latest information that you have, what would those figures show?

Mr. PERSONS. Well, sir——

The CHAIRMAN. Giving the date.

Mr. PERSONS. We have compared our active file as of November 13, State by State, with the data assembled by Mr. Biggers, as shown on these charts.

The CHAIRMAN. What difference does it show in the total?
Mr. PERSONS. We have a total registration of that date of 4,168,000.
Senator CLARK. Which date is that?
Mr. PERSONS. November the 13th.
Senator LODGE. That is in 22 States?
Mr. PERSONS. That is the 48 States.
The CHAIRMAN. That is the 13th. The registration was what date?
Mr. JOHNSTON. The 16th to the 20th.
(The charts, mentioned just above, follow:)

United States Employment Service—Certification status of total active file at time of November 1937 inventory (Nov. 6–13)

	Grand total	Noncertified			Certified		
		Total	Men	Women	Total	Men	Women
United States	4,168,628	1,983,180	1,482,687	500,493	2,185,448	1,745,717	439,731
Alabama	64,816	32,095	25,069	7,026	32,721	23,844	8,877
Arizona	14,264	5,743	4,495	1,248	8,521	7,261	1,260
Arkansas	41,515	7,917	5,745	2,172	33,598	27,675	5,923
California	181,361	83,892	59,233	24,659	97,469	70,358	27,111
Colorado	45,066	23,790	18,462	5,328	21,476	16,168	5,308
Connecticut	45,188	31,318	21,448	9,870	13,870	12,277	1,593
Delaware	9,098	6,874	4,862	2,012	2,224	1,652	572
Florida	60,666	28,321	21,102	7,219	32,345	23,043	9,302
Georgia	84,521	41,694	32,529	9,165	42,827	28,055	14,772
Idaho	11,380	5,261	4,566	695	6,119	5,160	959
Illinois	279,107	117,834	82,492	35,342	161,273	136,493	24,780
Indiana	97,802	36,809	24,936	11,873	60,993	54,770	6,223
Iowa	50,220	25,191	18,377	6,814	25,029	21,021	4,008
Kansas	56,656	16,183	13,218	2,965	40,473	32,866	7,607
Kentucky	101,090	40,906	32,402	8,504	60,184	48,544	11,640
Louisiana	56,521	25,183	18,537	6,646	31,338	26,429	4,909
Maine	15,608	8,840	7,760	1,080	6,768	5,735	1,033
Maryland	31,210	22,070	16,714	5,356	9,140	7,930	1,210
Massachusetts	234,047	92,717	66,164	26,553	141,330	104,513	36,817
Michigan	130,566	71,206	52,771	18,435	59,360	52,101	7,259
Minnesota	104,584	51,511	38,059	13,352	53,173	43,199	9,974
Mississippi	58,967	24,493	20,606	3,887	34,474	21,021	13,453
Missouri	137,094	75,057	57,863	17,194	62,037	51,450	10,587
Montana	19,764	10,484	8,363	4,121	9,280	7,614	1,666
Nebraska	37,113	11,502	8,729	2,773	25,611	21,355	4,256
Nevada	3,118	2,176	1,797	379	942	719	223
New Hampshire	16,098	8,503	6,396	2,107	7,595	5,798	1,797
New Jersey	165,035	100,683	76,404	24,279	64,352	55,192	9,160
New Mexico	21,711	9,781	8,346	1,435	11,930	9,448	2,482
New York [1]	232,507	136,351	108,785	27,586	96,156	82,312	13,844
North Carolina	68,392	34,224	24,858	9,366	34,168	20,952	13,216
North Dakota	24,607	6,277	4,675	1,602	18,330	14,600	3,730
Ohio	234,804	97,834	71,117	26,717	136,970	115,720	21,250
Oklahoma	87,353	18,005	13,378	4,627	69,348	57,177	12,171
Oregon	38,404	19,722	16,128	3,594	18,682	14,861	3,821
Pennsylvania	581,283	300,726	221,976	78,750	280,557	231,312	49,245
Rhode Island	33,614	18,756	12,468	6,288	14,858	11,422	3,436
South Carolina	45,579	16,309	13,550	2,759	29,270	18,777	10,493
South Dakota	51,478	19,718	15,871	3,847	31,760	28,336	3,424
Tennessee	108,065	73,014	57,153	15,861	34,991	27,194	7,797
Texas	162,530	72,757	55,253	17,504	89,773	61,074	28,699
Utah	10,665	4,352	3,339	1,013	6,313	5,328	985
Vermont	5,979	2,453	1,815	638	3,526	2,888	638
Virginia	47,140	19,303	14,643	4,660	27,837	18,066	9,771
Washington	50,528	21,277	17,353	3,924	29,251	24,954	4,297
West Virginia	64,994	22,221	17,601	4,620	42,773	35,742	7,031
Wisconsin	114,006	63,463	44,120	19,343	50,543	42,781	7,762
Wyoming	4,475	2,033	1,760	273	2,442	1,560	882
District of Columbia	27,899	16,451	9,419	7,032	11,448	8,970	2,478

[1] Partially estimated.

John D. Biggers, administrator of the recent census of the unemployed, yesterday made public the following table giving the details by States and sex for the totally unemployed and those on emergency work, as recorded in the census of November 16:

Unemployment data by States and sex

State	Totally unemployed and wanted work			Working at W. P. A., N. Y. A., C. C. C., or other emergency work		
	Total	Male	Female	Total	Male	Female
Alabama	150,145	98,942	51,203	38,739	30,782	7,957
Arizona	12,948	10,220	2,728	8,476	7,176	1,300
Arkansas	92,149	67,832	24,317	34,254	29,037	5,217
California	258,005	182,466	75,539	91,055	68,674	22,381
Colorado	44,272	33,967	10,305	20,829	15,621	5,208
Connecticut	69,576	48,183	21,393	18,206	15,776	2,430
Delaware	8,907	6,493	2,414	2,429	1,883	546
District of Columbia	37,600	19,073	18,527	9,765	6,960	2,805
Florida	73,479	42,924	30,555	33,151	25,491	7,660
Georgia	130,803	78,715	52,088	36,587	27,573	9,014
Idaho	18,641	15,819	2,822	7,239	6,171	1,068
Illinois	338,055	246,732	91,323	121,688	106,270	15,418
Indiana	133,136	97,724	35,412	53,267	47,865	5,402
Iowa	61,531	46,760	14,771	23,765	20,324	3,441
Kansas	64,575	49,361	15,214	35,038	27,926	7,112
Kentucky	143,031	98,240	44,791	54,352	44,838	9,514
Louisiana	97,317	69,410	27,907	33,160	27,026	6,134
Maine	37,814	27,534	10,280	6,050	5,226	824
Maryland	58,288	41,518	16,770	12,947	11,237	1,710
Massachusetts	248,484	162,052	86,432	79,135	62,428	16,707
Michigan	195,016	147,445	47,571	54,172	47,914	6,258
Minnesota	98,495	75,568	22,927	45,684	38,937	6,747
Mississippi	89,584	60,654	28,930	29,377	22,455	6,922
Missouri	191,873	133,573	58,300	65,109	55,333	9,776
Montana	28,390	22,867	5,523	20,203	17,515	2,688
Nebraska	44,872	33,446	11,426	25,850	22,044	3,806
Nevada	3,091	2,571	520	1,757	1,385	372
New Hampshire	25,311	16,219	9,092	6,628	5,305	1,323
New Jersey	217,176	156,371	60,805	70,354	60,155	10,199
New Mexico	21,162	18,232	2,930	9,248	8,313	1,115
New York	763,322	537,007	226,315	206,518	178,974	27,544
North Carolina	94,711	55,270	39,441	31,030	22,471	8,559
North Dakota	26,962	22,340	4,622	18,707	15,531	3,176
Ohio	304,682	223,254	81,428	105,185	92,375	12,810
Oklahoma	114,114	85,596	28,518	58,725	48,212	10,513
Oregon	58,557	46,673	11,884	14,634	12,414	2,220
Pennsylvania	566,437	440,692	125,745	184,014	157,882	26,132
Rhode Island	43,654	27,453	16,201	14,889	12,487	2,402
South Carolina	73,227	44,268	28,959	29,401	20,694	8,707
South Dakota	26,002	20,533	5,469	23,480	19,323	4,357
Tennessee	116,142	76,266	39,876	31,956	27,609	4,347
Texas	229,254	163,223	66,031	76,355	55,643	20,712
Utah	18,848	14,959	3,889	10,945	9,223	1,722
Vermont	10,197	7,619	2,578	4,128	3,362	766
Virginia	84,487	53,372	31,115	28,112	20,329	7,783
Washington	89,871	71,196	18,675	31,078	26,574	4,504
West Virginia	86,449	69,315	17,134	34,061	29,194	4,867
Wisconsin	112,728	87,467	25,261	46,574	40,172	6,402
Wyoming	7,665	6,355	1,310	3,191	2,335	856
United States total	5,821,035	4,163,769	1,657,266	2,001,877	1,662,444	339,433

The CHAIRMAN So there would be a difference. Do you recall the figures shown by the registration?

Mr. PERSONS. Yes; they are on that smaller chart there—7,800,000.

The CHAIRMAN. And your figures would show not only the men who had been employed and who had lost their jobs, but would show individuals who were, for the first time, applying for a job?

Mr. PERSONS. So far as known to us; yes.

The CHAIRMAN. Have you compared the States to see if there was any great disparity in one State or in one section?

Mr. PERSONS. Yes; and the comparison shows remarkably the same ratio in each State. I have a table to show that.

The CHAIRMAN. Well, we would like to see that table.
(The table referred to is as follows:)

Distribution by States of gainful workers, Census of 1930—active file inventory, November 1937—total unemployed, census of unemployment

	Gainful workers, census of 1930		U. S. Employment Service, total active file, November 1937		Total census of unemployment	
	Male	Female	Male	Female	Male	Female
Total, United States	100.00	100.00	100.00	100.00	100.00	100.00
New England	6.5	8.8	7.9	9.6	6.76	8.54
Maine			.4	.2	.56	.56
New Hampshire			.4	.4	.37	.52
Vermont			.2	.1	.19	.17
Massachusetts			5.2	6.7	3.85	5.17
Rhode Island			.7	1.0	.69	.93
Connecticut			1.0	1.2	1.10	1.19
Middle Atlantic	21.9	24.5	24.0	21.6	26.28	23.88
New York			5.9	4.4	12.29	12.71
New Jersey			4.1	3.6	3.72	3.56
Pennsylvania			14.0	13.6	10.27	7.61
East North Central	21.1	19.2	21.0	19.0	19.52	16.39
Ohio			5.8	5.1	5.42	4.72
Indiana			2.5	1.9	2.50	2.04
Illinois			6.8	6.4	6.06	5.34
Michigan			3.2	2.7	3.35	2.70
Wisconsin			2.7	2.9	2.19	1.59
West North Central	10.8	8.8	11.4	10.0	9.97	8.57
Minnesota			2.5	2.5	1.97	1.49
Iowa			1.2	1.2	1.15	.91
Missouri			3.4	3.0	3.24	3.41
North Dakota			.6	.6	.65	.39
South Dakota			1.4	.8	.68	.49
Nebraska			.9	.8	.95	.76
Kansas			1.4	1.1	1.33	1.12
South Atlantic	12.0	13.7	9.9	12.9	9.93	14.46
Delaware			.2	.3	.14	.15
Maryland			.8	.7	.91	.93
District of Columbia			.6	1.0	.50	1.07
Virginia			1.0	1.5	1.26	1.95
West Virginia			1.6	1.2	1.69	1.10
North Carolina			1.4	2.4	1.33	2.40
South Carolina			1.0	1.4	1.11	1.89
Georgia			1.9	2.6	1.82	3.06
Florida			1.4	1.8	1.17	1.91
East South Central	7.6	7.7	7.9	8.1	7.90	9.69
Kentucky			2.5	2.1	2.46	2.72
Tennessee			2.6	2.5	1.78	2.21
Alabama			1.5	1.7	2.23	2.96
Mississippi			1.3	1.8	1.43	1.80
West South Central	9.6	7.9	8.2	8.8	9.38	10.95
Arkansas			1.0	.9	1.66	2.96
Louisiana			1.4	1.2	1.66	1.70
Oklahoma			2.2	1.8	2.30	1.95
Texas			3.6	4.9	3.76	4.34
Mountain	3.0	2.2	3.4	2.8	3.32	2.21
Montana			.5	.4	.69	.41
Idaho			.3	.2	.38	.19
Wyoming			.1	.1	.15	.11
Colorado			1.1	1.1	.85	.78
New Mexico			.6	.4	.46	.20
Arizona			.4	.3	.30	.20
Utah			.3	.2	.42	.28
Nevada			.1	.1	.07	.04
Pacific	7.4	7.1	6.3	7.2	7.00	6.77
Washington			1.3	.9	1.68	1.16
Oregon			1.0	.8	1.01	.71
California			4.0	5.5	4.31	4.90

Senator DAVIS. Do you have any extra copies there?

Mr. JOHNSTONE. Unfortunately, he has only the one copy.

Senator CLARK. Mr. Persons, you said a moment ago, in response to a question by the chairman, that the only thing that prevents you from having the report such as you had from Connecticut yesterday was a matter of expense. Now, what would be the expense of having a report of that sort, let us say, every day, from each State, equivalent to strength reports made by every military organization in the Army.

COST OF STATISTICAL RECORDS

Mr. PERSONS. The costs, I am informed, the States and ours, in the aggregate, are about $50,000 a month to secure our present statistical records.

Senator CLARK. Well, where does the expense come in? How many offices do they have in the State, taking an average? You mentioned 25 a moment ago as being a small State.

Mr. PERSONS. About 1,800 offices in the 48 States.

Senator CLARK. What would there be to prevent them, at practically no expense, from sending a telegram? Each office reports to a central office in the State how many applications there were that day, and have the State report to you in one telegram, such as you got from Connecticut. In other words, the same as the strength report adopted by every military organization, so you would know every day how many applications you had in the United States the day before. Would that be of any material expense? What expense would there be outside of the cost of that telegram?

Mr. PERSONS. I think it would be a substantial expense, Mr. Senator. I don't think it would need to be 30 times $50,000 a month, of course, but it would certainly cost 2 or 3 times that much.

Senator CLARK. You mean to have somebody in each office report to the central office the number of applications they had a day? Couldn't that be done at the cost of a telegram, as part of the routine business, one clerk in each office?

Mr. PERSONS. I don't know how much it would cost us in addition to our present cost to do it daily, Mr. Senator, but it would be substantially increased, and that is the only reason we have not done it.

The CHAIRMAN. What you must mean is, that in calculating costs you were charging up time of the employees in the respective offices; is that right?

Mr. PERSONS. That is true.

The CHAIRMAN. Wouldn't those employees have to do that work in any event—ascertain the number who have registered that day—and if that be true, then would it be fair to charge up that cost against the method that Senator Clark is asking about, simply sending a telegram, giving the result of the labor of that office during that day? I wonder if you are not charging up to this particular information all of the costs of the employees of that office?

Mr. PERSONS. I am not making any particular point on the cost, except to say that that is the only obstacle. I don't know what the difference would be, but it would be substantial.

The CHAIRMAN. Well, we can have our opinion.

FEDERAL-STATE DIVISION OF ADMINISTRATIVE COSTS

Mr. PERSONS. And, of course, the further fact, Mr. Senator, is that that cost will be borne by the States and not by us, and they cannot be ordered to do so. They can be requested to do it.

The CHAIRMAN. Let us see now. If they register for unemployment-insurance benefits, who pays the cost of unemployment-insurance benefits in the State—doesn't the Federal Government pay it?

Mr. PERSONS. Yes.

The CHAIRMAN. Then, if the Federal Government does this, they have one man there working, getting information that Johnson is out of a job and wants insurance benefits, and we are paying the entire cost of administration, they couldn't very well complain about it.

Senator CLARK. If you knew the number of unemployed people yesterday instead of knowing the number of unemployed applications you had on the 30th of November, you could function more efficiently—isn't that correct? The same as any business organization that is acquainted with a daily status is more efficient than one that gets its information monthly.

Mr. PERSONS. In each local office, daily and at all times, status of available applicants and of employers' orders is automatically known. The Employment Service work is done in the local offices. Such records when collected by our central office are mere statistics.

The CHAIRMAN. Well, it is historical to you if you get it 6 weeks later, because the whole situation may have been changed just as it has in the last 6 weeks.

Are there any further questions?

Senator LODGE. Mr. Persons, you say there are 1,800 local employment offices?

Mr. PERSONS. Yes, sir.

Senator LODGE. Most of those, I presume, are in the 22 States that have unemployment insurance laws; is that correct?

Mr. PERSONS. There are 1,800 offices in the 48 States. I do not at the moment recollect how many in the 23 States, but I would say 1,000 in the 23 States.

Senator LODGE. Well, I understood you to say, there was a total registration in the 48 States of 4,168,000 applicants for unemployment insurance, as of November 13th; is that correct?

Mr. PERSONS. No.

Senator LODGE. What is your statement?

Mr. PERSONS. The number of people who have applied to us for employment in 48 States and who are still waiting for work at November the 13th was 4,168,000.

Senator LODGE. That is the total at an indeterminate period.

Mr. PERSONS. No; the total number of applicants is in excess of 28,000,000. That is merely the waiting list at the present time.

Senator LODGE. You anticipate that it would be possible for you to give a national total unemployment figure once the employment offices are sufficiently numerous?

Mr. PERSONS. As soon as employment compensation is Nationwide and the registration of the insured unemployed worker is everywhere obligatory, our waiting list of the unemployed will be practically inclusive except among agricultural workers and fishermen and domestic servants.

Senator LODGE. Except for agricultural workers, fishermen, and domestic servants, it is inclusive now?

Mr. PERSONS. It will be at the end of this month in 23 States but, of course, everybody who is entitled to that insurance during that month has not yet registered.

Senator LODGE. Thank you very much.

STATEMENT OF CORRINGTON GILL, ASSISTANT ADMINISTRATOR OF THE WORKS PROGRESS ADMINISTRATION

The CHAIRMAN. Mr. Gill, you are the Assistant Administrator of the Works Progress Administration?

Mr. GILL. Yes, sir.

The CHAIRMAN. At a later date we hope that Mr. Hopkins will have recovered from his illness and be able to appear; and this morning we will inquire of you chiefly as to the statistics of those now being employed on W. P. A. projects.

What is the latest date as to which you have figures showing the total number of persons on the relief rolls?

Mr. GILL. During the week ending January 1, there were 1,671,000 persons employed on W. P. A. projects.

Senator CLARK. That includes the whole personnel of the W. P. A.

The CHAIRMAN. That does not include administrative personnel; it includes only the men actually working on projects throughout the country.

Mr. GILL. Yes, sir.

The CHAIRMAN. What have been the fluctuations in monthly employment and W. P. A. projects during the year 1937?

Mr. GILL. Mr Senator, I should like to make a general statement which covers that question as well as some of the essential background.

The CHAIRMAN. Very well.

UNEMPLOYMENT RELIEF, 1929–1935

Mr. GILL. During the depression years following 1929, the United States was confronted with a problem of destitution of unparalleled severity. By the end of 1931, it is estimated 10 million people were out of work. Throughout 1932 unemployment continued to increase and reached a peak estimated at 15 million early in 1933.

Many other workers were able to obtain only part-time employment during these depression years, with earnings too low to support themselves and their families. Destitution likewise deepened in the agricultural regions when declining farm prices and extensive droughts wiped out the incomes of hundreds of thousands of farm families.

In general, the years 1930 to 1932 saw poverty spreading throughout this country. Industrial wage earners and small farmers were affected most severely. Relief needs mounted throughout this period as the savings and other resources of these people were depleted.

In the early depression years the destitute unemployed and the other poverty stricken groups had only the local poor-relief agencies to fall back on. In the large cities, private relief organizations gave

aid to many of these people. Local poor relief, however, provided most of the inadequate relief offered in those years.

The severity of the unemployment and relief problem placed a burden far too great on the local public-relief agencies. In 1931 and 1932, their financial inability to meet the problem called forth the financial assistance of some of the States. Even this added help could not meet the problem and in 1932 the Reconstruction Finance Corporation was authorized to advance $300,000,000 to the States and localities for relief purposes.

This R. F. C. aid was the first financial support provided by the Federal Government for the relief of unemployment. The problem had passed beyond local and State means. It was a national problem. Federal action on a large scale was absolutely needed.

The growing unemployment-relief problem early in 1933 required the establishment of a special Federal agency to provide grants to the States for relief and the Federal Emergency Relief Administration was therefore created, by the Congress, in May 1933. The purpose of the F. E. R. A. was the prevention of starvation. The acute crisis called for the immediate granting of funds to State relief agencies. These agencies turned the funds over to local relief offices to be doled out to destitute people for both direct relief and work relief. During 1933 relief standards were low and the work-relief projects left much to be desired. But the F. E. R. A. served its immediate purpose—it provided up to 18 million persons with food and clothing.

In November 1933, a major change was introduced into the relief picture. The Civil Works Administration was created to give work on useful projects to some 4 million persons. At the same time the vast expenditures were designed to stimulate business activity.

It demonstrated the advantages of providing work as the best means of helping the unemployed. It maintained the morale, the work habits and the physical fitness of those on the program. At the same time it created a vast number of useful projects for the country.

With the close of the Civil Works Administration, the Federal Emergency Relief Administration expanded its operations, emphasizing the importance of work relief. Unfinished C. W. A. projects were completed under the F. E. R. A. work-relief program. By January 1935, some 2,500,000 workers were being given employment on this program. Direct relief was given to a somewhat larger number and special programs were designed for destitute rural groups, needy college students, transients, white-collar workers and others.

Early in 1935 approximately 5,500,000 cases received relief under the F. E. R. A. program. This number represented nearly 21 million people, or 17 percent of the total population. This level was slightly higher than that of early 1933, despite the fact that economic conditions had improved during the period. Unemployment had declined by approximately 3 million to a level of 12 million. The high level of relief was due to the continued large volume of unemployment. Prolonged unemployment progressively impoverished millions of families, requiring their continued support by the Federal, State, and local governments.

FEDERAL GOVERNMENT WITHDRAWS FROM DIRECT RELIEF, 1935

In 1935, the President announced an important change in Federal relief policy. This involved the termination of F. E. R. A. grants to the States and the withdrawal of the Federal Government from direct relief. In place of the dole, the destitute unemployed were to be put to work on a Federal works program. Any destitute persons who could not obtain employment on the works program were to be given relief by State and local agencies. Certain classes of destitute persons, such as the aged, women with dependent children, the blind and others were to be given Federal aid under the Social Security program, also established in 1935.

Thus the problem of destitution from 1935 to the present has been handled by the Federal works program, by State and local relief, and by the Social Security program. It is essential to understand this 3-way program at the present time. It represents the outgrowth of Federal relief policy and experiences during the years 1933–35.

The major factor in this program since 1935 has been the Works Progress Administration. The trend of W. P. A. employment increased rapidly during the fall of 1935 as large numbers of F. E. R. A. work relief people were transferred to the new program. By the end of February 1936, the W. P. A. reached its peak employment of 3,035,000. From this level W. P. A. employment declined to 2,240,000 during July 1936. The severe drought of 1936 impoverished many farmers in the drought area, some 300,000 of whom were given temporary W. P. A. jobs by October of that year. By the end of 1936, however, these drought farmers had been transferred to the Resettlement Administration program and regular W. P. A. employment declined to 2,192,000. This represented a decline of 28 percent from the peak in February.

W. P. A. employment declined slightly during the early part of 1937 and in May 2,000,000 workers were employed on the program.

During this period of decline in W. P. A. employment, economic conditions had improved rapidly. During 1936, industrial production increased sharply, the Federal Reserve Board index advancing from 95 in January to 122 in December. Employment likewise increased substantially and reached its peak in the middle of 1937. Unemployment declined sharply from early 1936 through the middle of 1937. In short, the decline in W. P. A. employment from early 1936 through the middle of 1937 was caused by the marked expansion in business activity during that period.

W. P. A. EMPLOYMENT FLUCTUATIONS, 1936–1937

Further reductions in W. P. A. employment were effected from June 1937 through September, when 1,450,000 persons were at work on the program. This recent reduction was due largely to the conditions laid down in the Emergency Relief Appropriation Act of 1937 (approved June 29, 1937) which appropriated $1,500,000,000 for the W. P. A. and related programs. This sum was almost one-third less than that expended during the previous 12-month period. The act specified that the $1,500,000,000 should last through June 30, 1938. In order to meet this requirement, W. P. A. employment was reduced from June through September far in excess of the usual seasonal decline.

Thus, by the end of September 1937 W. P. A. employment was 550,000 less than the May 30 level and 1,585,000 below the peak in February 1936.

From this low point of 1,450,000 W. P. A. employment increased gradually to 1,520,000 by the end of November.

Total Works Program employment, including the W. P. A., C. C. C., and other Federal agencies, reached its peak in February 1936, when 3,836,000 persons were employed. By January 1937, this number had declined to 2,893,000, and by the end of September to 1,953,000. In the following 3 months, this increased to over 2,200,000.

Since early 1937, the W. P. A. has employed 80 percent of the total Works Program workers. Throughout this period, 90 percent of all Works Program employees have been certified as in need of relief. For the W. P. A. alone, this has averaged 95 percent and recently has increased to 97 percent.

I would like to insert in the record a table showing Works Program employment by months and by agencies from July 1935, through December 1937. I am also submitting two charts showing these data by months for Works Program employment in total and for employment on W. P. A. projects only.

(The table and charts referred to are as follows:)

TABLE 1.—*Employment on projects of the Works Progress Administration, Civilian Conservation Corps, and other agencies, by relief status, last week in each month*

[Subject to revision]

ALL AGENCIES

Week ending—	Number of persons employed		
	Total	Certified as in need of relief	
		Number	Percent
1935			
July 27	572,702		
August 31	1,015,017	831,281	81.9
September 28	1,194,986	1,017,782	85.2
October 26	1,540,542	1,357,653	88.1
November 30	3,210,137	2,990,577	93.2
December 28	3,496,217	3,257,688	93.2
1936			
January 25	3,707,590	3,431,735	92.6
February 29	3,836,087	3,535,605	92.2
March 28	3,727,705	3,377,122	90.6
April 25	3,478,755	3,086,773	88.7
May 30	3,317,744	2,895,600	87.3
June 27	3,236,621	2,782,841	86.0
July 25	3,238,151	2,778,587	85.8
August 29	3,337,915	2,887,985	86.5
September 26	3,417,375	2,997,724	87.7
October 31	3,501,438	3,107,774	88.8
November 28	3,352,296	2,977,042	88.8
December 26	2,987,770	2,663,193	89.1
1937			
January 30	2,892,854	2,617,898	90.5
February 27	2,874,189	2,587,988	90.0
March 27	2,833,361	2,554,998	90.2
April 24	2,807,908	2,530,897	90.1
May 29	2,735,686	2,457,073	89.8
June 26	2,526,358	2,258,503	89.4
July 31	2,179,950	1,942,966	89.0
August 28	2,075,019	1,851,797	89.2
September 25	1,952,728	1,734,628	88.8
October 30	2,078,022	1,876,858	90.3
November 27	2,112,772	1,925,485	91.1
December 25 [1]	2,210,561	2,034,619	92.0

[1] Preliminary.

TABLE 1.—*Employment on projects of the Works Progress Administration, Civilian Conservation Corps, and other agencies, by relief status, last week in each month*—Con.

WORKS PROGRESS ADMINISTRATION

Week ending—	Number of persons employed		
	Total	Certified as in need of relief	
		Number	Percent
1935			
July 27	70,000		
Aug. 31	252,739	238,070	94.2
Sept. 28	456,013	432,806	94.9
Oct. 26	777,294	738,886	95.1
Nov. 30	2,445,954	2,352,191	96.2
Dec. 28	2,740,070	2,627,096	95.9
1936			
Jan. 25	2,925,605	2,798,165	95.6
Feb. 29	3,035,852	2,898,849	95.5
Mar. 28	2,871,637	2,734,371	95.2
Apr. 25	2,573,315	2,442,694	95.0
May 30	2,339,740	2,219,749	94.9
June 27	2,255,898	2,135,636	94.7
July 25	2,249,357	2,129,488	94.7
Aug. 29	2,376,565	2,253,641	94.8
Sept. 26	2,481,516	2,354,379	94.9
Oct. 31	2,581,208	2,449,775	94.9
Nov. 28	2,482,681	2,352,142	94.7
Dec. 26	2,192,409	2,075,603	94.7
1937			
Jan. 30	2,138,059	2,037,630	95.3
Feb. 27	2,145,562	2,036,591	94.9
Mar. 27	2,114,800	2,022,019	95.6
Apr. 24	2,070,151	1,993,023	96.3
May 29	1,999,269	1,930,057	96.5
June 26	1,821,151	1,757,472	96.5
July 31	1,572,924	1,523,701	96.9
Aug. 28	1,482,707	1,437,408	96.9
Sept. 25	1,452,874	1,408,898	97.0
Oct. 30	1,477,291	1,433,990	97.1
Nov. 27	1,519,740	1,476,061	97.1
Dec. 25	1,629,261	1,585,478	97.3

CIVILIAN CONSERVATION CORPS

1935			
July 27	486,710		
August 31	593,499	519,919	87.6
September 28	556,717	483,137	86.8
October 26	555,643	487,063	87.7
November 30	544,265	483,045	88.8
December 28	518,928	459,485	88.5
1936			
January 25	486,594	430,199	88.4
February 29	459,461	405,061	88.2
March 28	433,770	382,420	88.2
April 25	391,200	342,000	87.4
May 30	409,200	360,500	88.1
June 27	381,140	332,900	87.3
July 25	403,740	355,400	88.0
August 29	385,600	337,800	87.6
September 26	363,300	316,000	87.0
October 31	405,274	357,338	88.2
November 28	388,770	340,000	87.5
December 26	376,710	328,525	87.2
1937			
January 30	407,475	361,000	88.6
February 27	391,835	345,300	88.1
March 27	374,885	327,400	87.3
April 24	374,275	325,800	87.0
May 29	348,915	301,075	86.3
June 26	327,485	280,100	85.5
July 31	321,000	275,000	85.7
August 28	323,915	278,050	85.8
September 25	238,830	188,520	78.9
October 30	362,753	312,027	86.0
November 27 [1]	[2] 362,753	[2] 312,027	86.0
December 25 [1]	[2] 362,753	[2] 312,027	86.0

[1] Preliminary.

[2] Week ending Oct. 30.

TABLE 1.—*Employment on projects of the Works Progress Administration, Civilian Conservation Corps, and other agencies, by relief status, last week in each month*—Con.

OTHER AGENCIES

Week ending—	Number of persons employed		
	Total	Certified as in need of relief	
		Number	Percent
1935			
July 27	15,992		
August 31	168,779	73,292	43.4
September 28	182,256	101,839	55.9
October 26	207,605	131,704	63.4
November 30	219,918	155,341	76.0
December 28	237,219	171,107	72.1
1936			
January 25	295,392	203,372	68.8
February 29	340,774	231,695	68.0
March 28	422,298	260,331	61.6
April 25	517,240	302,079	58.4
May 30	568,804	315,351	55.4
June 27	599,583	314,305	52.4
July 25	585,054	293,699	52.0
August 29	575,750	296,544	51.5
September 26	572,559	327,345	57.2
October 31	514,956	300,661	58.4
November 28	480,845	284,900	59.2
December 26	418,651	259,065	61.9
1937			
January 30	347,320	219,268	63.1
February 27	336,792	206,097	61.2
March 27	343,676	205,579	59.8
April 24	363,482	212,074	58.3
May 29	387,502	225,941	58.2
June 26	377,722	220,931	58.3
July 31	286,026	144,265	50.4
August 28	268,397	136,339	50.8
September 25	261,024	137,210	52.6
October 30	237,978	130,841	55.0
November 27 [1]	230,279	137,397	59.7
December 25 [1]	218,547	137,114	62.7

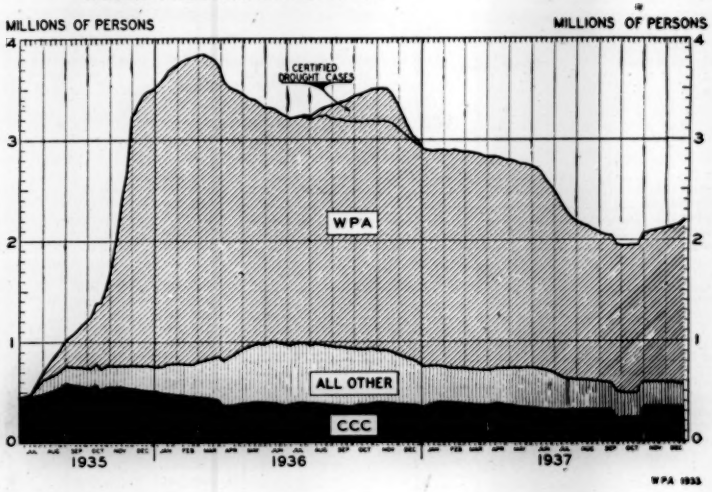
[1] Preliminary.

In recent months the recession in business activity has completely reversed the recovery movement which accounted for much of the decline in W. P. A. employment from early 1936 through the middle of 1937. Industrial production (F. R. B.) dropped from an index of 117 (adjusted) in August to 90 in November. This decline is the sharpest ever recorded for a 3-month period. Unemployment as a consequence has increased abruptly, seriously changing the outlook for relief needs for the winter. With the Christmas trade at an end, further substantial increases in unemployment can be expected during this current month.

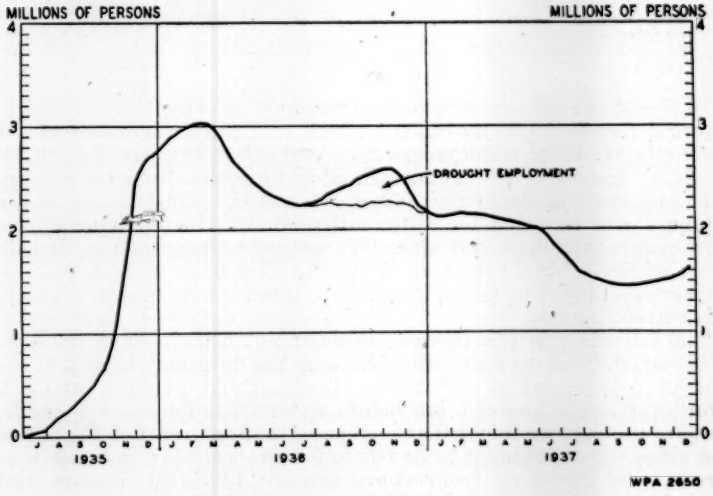
The full effect of this increase in unemployment has not yet been felt completely at the relief offices because the duration of much of the new unemployment is still short. Ordinarily it averages about 2 months after the loss of a job before application for relief is made. Despite this lag, we found that increaases in direct relief of the States and cities were beginning to be felt in November. We estimate that direct relief increased from approximately 1,285,000 families and single persons in September 1937 to 1,365,000 in November.

In many cities, serious increases in relief occurred during November. The most significant of these increases in direct relief from October to

WORKS PROGRAM EMPLOYMENT



EMPLOYMENT ON WPA PROJECTS



November were Gary, 71 percent; Fort Wayne, 68 percent; Toledo, 70 percent; Detroit, 65 percent; and Portland, Oreg., 35 percent. National figures are not yet available for December, but reports from certain cities show considerable increases and the United States total for direct relief will be substantially higher in December than in November.

These direct relief figures do not indicate the real seriousness of the problem because in many sections inadequate funds and deficient relief organization prevent increases from taking place even though need is increasing.

RELIEF NEEDS INCREASING

At the beginning of December, therefore, we realized that an extremely large increase in relief needs was occurring. We also realized that this was very likely to increase during the winter. We knew that, in addition to the usual winter seasonal increase of from 25 to 30 percent in relief, many of the unemployed who had lost their jobs during the previous 2 or 3 months would soon be in need. Accordingly, on December 9, Mr. Hopkins authorized an increase up to 350,000 W. P. A. employees over and above the then existing quotas. This figure did not represent our estimate of the probable increase in need during the winter. It simply represented the maximum employment that could be financed with the funds available under the provisions of the Emergency Relief Appropriation Act of 1937. As I pointed out before, this act provided that the appropriation should be so administered as to finance the W. P. A. Program through June 30, 1938.

I should like to submit for the record at this point a chart showing the trend of estimated unemployment and relief by months over the past 5 years.

The CHAIRMAN. Mr. Gill, would you pardon me a moment? I see Mr. Persons leaving. I wanted to say something to him.

Mr. Persons, I want to ask that you send a telegram to each of your organizations in the 23 States giving the information similar to that which you got from Connecticut.

Mr. PERSONS. I will gladly do that. Do you want it day by day or at the end of the week?

The CHAIRMAN. I think it would be better at the end of the week, to see the operation at the end of the week, as of Saturday.

Mr. PERSONS. I think if the committee desires I will ask at the same time that it be done weekly during the month of January.

The CHAIRMAN. I wish you would.

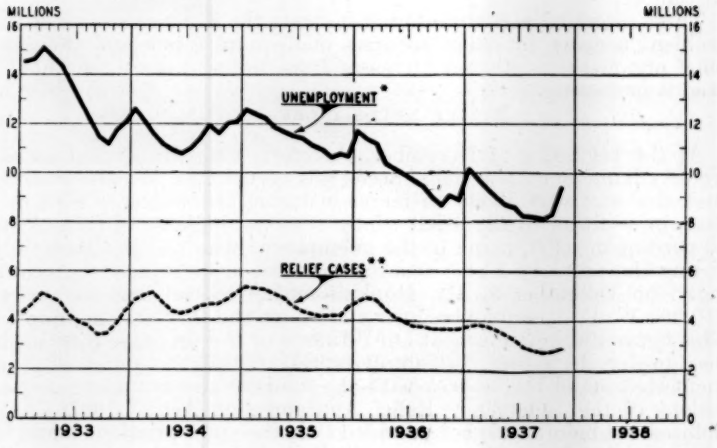
Go ahead, Mr. Gill.

(See p. 707.)

REGIONAL RELIEF RESPONSIBILITY

Mr. GILL. Since the unemployment and relief situation was changing rapidly in the various sections of the country, it was obviously impossible to distribute this increase of 350,000 from the Washington office for each State and city. Each of the five W. P. A. regional representatives was, therefore, given a maximum figure for his region. Each regional representative was given the responsibility to meet situations as they arose and to distribute equitably the increased

TREND OF UNEMPLOYMENT AND RELIEF



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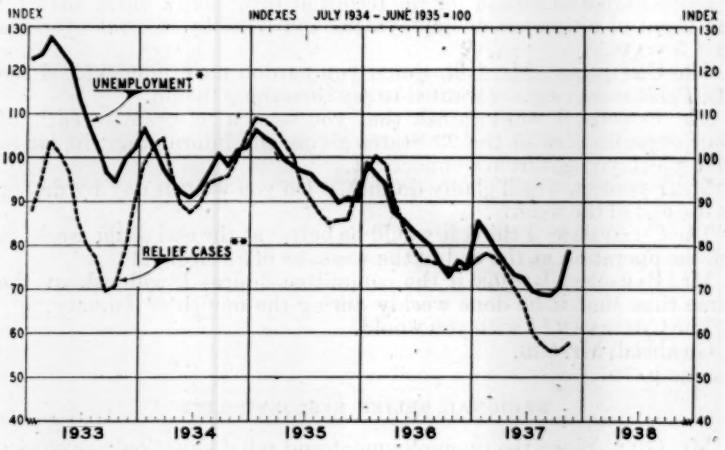

*Unemployment estimates made for the Committee on Economic Security.

**Estimated unduplicated total number of families and single persons receiving relief and persons from relief rolls employed on Civil Works Program and Works Program Projects, by months. (Excluding drought 1936)

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employment between the various States and cities. The maximum figures for each region were tentatively established as follows:

Region I: Connecticut, Maine, Massachusetts, New Hampshire, New York State, New York City, Rhode Island, and Vermont	50,000
Region II: Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, and West Virginia	75,000
Region III: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Oklahoma, Tennessee, Texas, and Virginia	50,000
Region IV: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, Ohio, North Dakota, South Dakota, and Wisconsin	125,000
Region V: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming	50,000
Total	350,000

Under present plans and instructions, it is probable that W. P. A. employment will increase to an average of about 1,800,000 in January and to an average of 1,900,000 in February. For the week ending January 1, 1938, the W. P. A. had increased to 1,671,000 persons. This represents an increase of 150,000 from November 27 and a total increase of 220,000 persons from the low point at the end of September. The trend of weekly figures since November 27 has been as follows:

Works Progress Administration employment

Week ending—	
Nov. 27, 1937	1,520,000
Dec. 4, 1937	1,538,000
Dec. 11, 1937	1,558,000
Dec. 18, 1937	1,588,000
Dec. 25, 1937	1,629,000
Jan. 1, 1938	1,671,000

From the estimated peak in February 1938, it will be necessary to reduce W. P. A. employment in the following months in order to keep within the present appropriations. This will require that W. P. A. employment be reduced to an average of 1,800,000 in March, 1,650,000 in April, 1,550,000 in May, and 1,500,000 in June.

The CHAIRMAN. Of the 350,000 additional employees authorized by the order referred to, how many have actually been placed in jobs to date?

Mr. GILL. One hundred and twenty-four thousand.

The CHAIRMAN. When was the order issued?

Mr. GILL. December the 9th.

The CHAIRMAN. Now, the persons eligible for employment by W. P. A. are determined by an organization within the State?

Mr. GILL. By the local relief agency.

The CHAIRMAN. Operating under different names in different States?

Mr. GILL. Yes, sir.

The CHAIRMAN. Therefore, if they have not been provided with jobs authorized by the W. P. A. since December 9, that failure to provide those jobs rests with the States failing to certify them for employment. Is that right?

Mr. GILL. It might be one of many things. That might be one of the causes.

The CHAIRMAN. What else?

Mr. GILL. For example, a sudden shut-down of a large industrial plant may have occurred. It might take a week or 10 days to get

the necessary projects in operation and to permit the assignments to be made.

The CHAIRMAN. Now, wait a minute. You have shown us how you have allotted those 350,000 men to the various regions. By whom was it allotted within the State—by the director of the State?

Mr. GILL. By each State director of the Works Progress Administration.

The CHAIRMAN. Now, he advises the local State agency that they could furnish employment to so many people?

Mr. GILL. That is correct.

The CHAIRMAN. He should have done that within a few days after December the 9th.

Mr. GILL. Yes, sir.

The CHAIRMAN. Then, on December the 9th, if there was a shutdown such as you indicate, and a large number of men—the large number of men out of employment—would not have affected the ability of the local State director to put those people to work if they had been certified. In other words, if he certified 5,000 and he had been allotted 500, there was no reason why he should have delayed giving those 500 fellows jobs because 5,000 were needed.

Mr. GILL. An important factor is the interval which elapses between the time a worker loses his job, applies for relief at the local relief agency, goes through the machinery of the relief office, and is certified for employment on a W. P. A. project.

The CHAIRMAN. Now, let's look at that. That lag—has that been general or is it just recent?

Mr. GILL. Our studies during the past 4 years indicated a lag of from 2 to 3 months, on the average, between the loss of a job and the application for relief. This is an average, of course. In some instances, such as the hypothetical case I cited, there may be practically no lag.

The CHAIRMAN. Do you attribute it to the fact that the man has savings and is able to go on his own for awhile, and only when his savings are depleted does he ask the local agency to consider him for certification?

Mr. GILL. That is an important element. He has savings or a family that he can appeal to, and he struggles along, thinking he may get his job back again, or another job.

The CHAIRMAN. But the fact is that W. P. A., since December 9, has been willing and able to furnish jobs to an additional 350,000 men, and up to this date only how many——

Mr. GILL. One hundred and twenty-four thousand.

The CHAIRMAN. Only 124,000 have been provided with jobs.

Mr. GILL. Up to last week. Of course that represents a period of about 2 weeks, since the latest report covers the week ending January 1.

The CHAIRMAN. Well, if your estimate is right of the lag in the men out of jobs applying for them, and men lose their jobs in January, you wouldn't look for them then to be applying for W. P. A. aid until about March?

Mr. GILL. The lag is now about 2 months. I would expect that the large number who lost their jobs in November and December would be applying for aid in January and February.

The CHAIRMAN. Well, in 23 States insurance benefits will be paid. They won't be payable ordinarily until what time?

Mr. GILL. I understand that the first benefit checks in those States will be issued in January and February.

The CHAIRMAN. It would be about March, wouldn't it?

Mr. GILL. It will probably vary from State to State.

The CHAIRMAN. I understand it is 3 weeks. Well, they will come in in February, so in February the insurance benefits will be paid in 23 States. That should affect in some way the number of applicants for W. P. A. jobs?

Mr. GILL. It is very likely.

The CHAIRMAN. From the representatives of the Social Security Board, we have made some inquiries along that line. Now, how many would you say were on relief rolls on December the 9th who were eligible for jobs throughout the country, who are employable and have already been passed upon by the State agencies, but had not been certified because there was no project to employ them?

Mr. GILL. Mr. Chairman, we don't happen to have the figures as of that date. The number is often a matter of opinion.

The CHAIRMAN. Certainly you would say that there are quite a large number throughout the country?

Mr. GILL. Yes, sir.

The CHAIRMAN. That being so, are you a little surprised the States did not certify more than 124,000 when there are 350,000 jobs available?

Mr. GILL. The reason is partly tied up with the physical job of certifying these people and getting them to us. They are putting them to work as fast as they can. One hundred thousand in a period of 10 days is a substantial number.

The CHAIRMAN. That was 10 days, your figures, were 10 days after your notification. Is that right?

Mr. GILL. About 10 days or 2 weeks. You see, Mr. Hopkins made the general authorization on December the 9th, and it was probably December the 12th, before it got down to a particular city.

The CHAIRMAN. When will you have those figures of the situation as of January 1?

Mr. GILL. The figures were available late yesterday afternoon for the week ending January 1, so a week from last night we will have the figures for the week ending January 8, the first full week in January.

The CHAIRMAN. The figures you have given us were for January 1?

Mr. GILL. Yes, sir; for the week ending January 1.

The CHAIRMAN. The week ending January 1.

Senator MURRAY. How long does it take to prepare a project and get the men to work on it?

Mr. GILL. Of course, Senator, we have thousands of projects approved and ready all over the country. It takes only a short time, say a week or 10 days on the average, to initiate work on a project after it is found necessary to operate it.

Senator MURRAY. Has that had anything to do with the failure to get these 350,000 men on?

Mr. GILL. No, sir.

Senator CLARK. What is the comparison, if you have the figures, if not, give us a rough estimate, of taking care of a given number of people by the W. P. A. and by direct relief? In other words, take 1,000,000 people, 3,000,000, 4,000,000, what would be the percentage

of increase in expenditure by the W. P. A. over what the expenditure would be by direct relief?.

Mr. GILL. I would like to submit that for the record, showing the State and local funds and all the details.

Senator CLARK. I would like very much for you to do it.

(Mr. Gill later submitted the following statement:)

During the fiscal year 1935, the peak period of Federal Emergency Relief Administration activities, total obligations incurred from Federal, State and local funds averaged approximately $30 monthly per family receiving relief. Attention is frequently drawn to the differential between this figure and earnings on the Works Progress Administration program, which average $43 per month for unskilled workers and $55 per month for all Works Progress Administration workers, without considering that the data are not comparable.

Direct relief figures include families who receive relief in any amount, no matter how small, at any time during a month. The figures include workers who have private employment and who receive small amounts of relief to supplement their private income. They include families who need only a small quantity of clothing to allow the children to attend school. They include those who need only an extra ton of coal during the winter.

It is clear, therefore, that the statistical average derived by dividing relief expenditures by the total number of families receiving relief very substantially understates the full cost of providing the necessities of life to families as completely dependent on relief as the Works Progress Administration worker is dependent on project employment. The real cost of direct relief may be more closely approximated by an investigation into the budgets established to provide for a family completely dependent upon direct relief for their support. During the 1934–35 period, basic monthly relief budget for a family of four in New York City was about $48; in New Jersey $49.50; in Chicago $47, and in the State of Washington $53.50.

Works Progress Administration monthly earnings rates for unskilled workers vary from $21 per month in the rural South to $60.50 in the larger northern cities. The rates for intermediates, skilled and professional and technical workers are higher, the maximum being $103.40 per month for professional and technical workers in the larger northern cities. The average earnings of all Works Progress Administration workers is $55 per month.

The real question in connection with the amounts of either work relief wages or direct relief benefits is the question of the standards considered adequate to maintain families in need. Obviously, there is no saving in a direct relief program, insofar as the wages of Works Progress Administration workers are concerned, except through a reduction in these standards. As a matter of fact, the amounts now being paid as wages on the Works Progress Administration range from 20 to 50 percent less than the cost of maintaining a family of four, even on an emergency basis, as determined by careful and detailed studies carried out by the Bureau of Labor Statistics and the Works Progress Administration. In other words, except for the cost of materials and equipment, the cost of maintaining families now supported by employment on the Works Progress Administration program cannot be reduced without reducing their already inadequate living standards.

In addition to the wage costs, the Works Progress Administration during the first 5 months of this fiscal year spent an average of $7.70 per worker per month for materials and other nonlabor project costs.

Expenditures by sponsoring agencies in connection with Works Progress Administration projects averaged between $14 and $15 per worker per month. With regard to sponsors' nonlabor costs, it should be noted that a considerable portion of these funds could not be made available for direct relief. It is frequently possible for a city to provide funds, materials, or equipment from its operating budget or inventories for necessary public work which could not be undertaken if the Federal Government did not provide the labor from the relief rolls, and which would not be available for direct relief.

An additional point should be considered in discussing the relative costs of work and direct relief. To meet the same unemployment situation, it is possible that the total number of families receiving aid would be larger under a direct relief program than a work program. The reason for this involves the difficulty in checking on a direct-relief program. When a man is working full time for the Works Progress Administration, an automatic check is provided because he could not possibly be working in private industry simultaneously. On the other

hand, the check under a direct-relief program involves constant calls at the home and, even then, is a difficult one to make.

The CHAIRMAN. In the allotment of this 350,000 additional employees, did you take into account the industrial unemployment in various sections?

Mr. GILL. Yes. Our regional representatives, Senator, have been out in these States for over 4 years now. They are intimately in touch with the States and the conditions in the States. The allotment was determined after several conferences, first with the State administrators and the field representatives, and then the field representatives and Mr. Hopkins.

The CHAIRMAN. Well, as a matter of policy, is the State director presumed to follow the same policy in approving projects for the various cities of the State in accordance with the relief needs of those cities? Is that the policy that is followed?

Mr. GILL. Yes, sir.

The CHAIRMAN. And where there are more projects approved and under construction in one city than another, that is the explanation of it?

Mr. GILL. Yes, sir.

Senator CLARK. But the significance is this, is it not, Mr. Gill, that if unemployment continues to increase anything like to the proportions it has in the last few months, inasmuch as the W. P. A. pay roll of relief is very much more expensive, as I understand it, than direct relief, you are faced either with the alternative of vastly increasing the proportions of W. P. A. or going to some other sort of relief. Isn't that correct?

Mr. GILL. I would think those were alternatives.

Senator CLARK. Admittedly, the W. P. A. does not take care of more than a fraction of the people who are in need of employment or relief, does it?

Mr. GILL. It is our opinion that it is taking care of all employable persons who are in need of relief at the present time.

Senator CLARK. Do you mean to say the number of people on employment rolls takes care of every employable person?

Mr. GILL. Substantially all employable persons in need of relief.

The CHAIRMAN. That determination is up to the local agency, as to who goes on the list; is that right?

Mr. GILL. Yes, sir.

Senator CLARK. That does not check with figures of Mr. Biggers' report, does it?

Mr. GILL. It is not inconsistent with it.

Senator CLARK. Will you explain?

Mr. GILL. During the period of the last 4 years, when estimated unemployment ranged from eight to fifteen million, the number of families aided by direct relief and work programs has been approximately 40 percent of estimated unemployment. A substantial proportion of the unemployed do not go to the relief office.

Senator CLARK. What becomes of the rest of them?

Mr. GILL. Some of them live on savings or borrowing. Others are supported by relatives or friends. They manage to eke out an existence in some way with part-time employment, and in other ways.

Senator LODGE. Those are the people who have their own homes and equities.

Mr. GILL. Yes, and they sell their automobiles, use the equity in their life insurance and other things.

The CHAIRMAN. There are some people who just don't want to apply for relief and go only when they are forced to do so. That is a factor in the situation.

Mr. GILL. Yes, sir. I think that is true of most of the unemployed.

The CHAIRMAN. Where the State does not provide machinery for certification of eligibles for W. P. A. employment, does W. P. A. set up its employment machinery?

Mr. GILL. It happens in very few places, where we have had to do it in the absence of adequate local facilities.

Senator MURRAY. There are many cases of unemployment where there are other members of the family employed and that would render them ineligible, would it not?

Mr. GILL. Yes; we only give employment to one person in the family.

Senator MURRAY. That would account for a great many people unemployed, who would not be able to get on W. P. A.

Mr. JOHNSTON. You mean, Mr. Gill, if there is one person otherwise employed?

Mr. GILL. The W. P. A. employs only one person to a family, and we try to take the person who is considered locally to be the most employable person for this program.

Mr. JOHNSTONE. But if the family has one person otherwise employed, there is no person in that family eligible for employment with W. P. A.?

Mr. GILL. That is right, if it is full-time employment.

The CHAIRMAN. Mr. Gill, when Mr. Hopkins returns, we will ask you to arrange to get in touch with the committee at some time convenient to him when he is able. We want to have him come before the committee.

The committee will take a recess until 2:30, at which time Mr. Eccles will appear.

(Mr. Gill subsequently submitted for the record the following statement:)

It is our opinion that Works Progress Administration is giving employment to substantially all qualified employable persons on relief. The delay in assigning eligible workers is due, of course, to the necessary delay attendant on investigation by the relief offices.

(Thereupon, at 12:30 p. m., a recess was taken until 2:30 p. m.)

AFTER RECESS

(The hearing was resumed at 2:30 p. m. pursuant to the taking of the recess.)

The CHAIRMAN. You may come to order.

Senator DAVIS. May I be permitted to get into the record at this time a suggestion from the Pennsylvania Home Rule Association with headquarters at Altoona, Pa. This is from the President of the Pennsylvania Home Rule Association, Mr. Thomas S. Stephenson, It refers to unemployment and relief. I would like to have it incorporated in the record.

The CHAIRMAN. Unless there is objection by the members of the Committee, it will be incorporated in the record.

(The letter is as follows:)

PENNSYLVANIA HOME RULE ASSOCIATION

HEADQUARTERS, 300 RUSKIN DRIVE, ALTOONA, PA.

DECEMBER 30, 1937.

Hon. JAMES J. DAVIS,
United States Senator,
Senate Office Building, Washington, D. C.

DEAR SENATOR DAVIS: In response to your press and radio appeal to citizens of Pennsylvania for suggestions to present to the senatorial committee appointed to study a Federal legislative program to halt the business recession, we are submitting for your consideration a plan which if adopted, we believe would be helpful in speeding up employment in this crisis and substantially reduce operating costs.

We understand that the committee has two objectives in mind: reducing Government costs, and formulating a Federal works program that will provide jobs for the unemployed until the business recession is halted.

We believe that these two objectives may be attained in part by the elimination of the entire Works Progress Administration administrative structure: first, as a means of eliminating unnecessary expense, and second, to cut the administrative red tape which fails to work effectively in a crisis.

The cumbersome procedure under Works Progress Administration is well known; projects must be applied for by the officials of local communities. After the preparation of more or less elaborate plans, the projects must run the gantlet of local, State, and Federal administrators, which in many instances requires weeks or months before final approval is secured—and all during that time unemployed are forced to wait for the promised jobs.

During this enforced idleness because of the administrative red tape, the families of the unemployed must either go hungry or depend upon friends, neighbors, and merchants of the community to carry them until the long-awaited jobs come through. Even after the project is finally approved and under way, the red tape often is responsible for holding up pay rolls for weeks at a time, adding further inconvenience and suffering to the workers it was supposed to help.

This is only part of the picture. A large percentage of the Works Progress Administration funds is eaten up by the overhead cost of the administrative forces, Federal, State, and local.

We understand that the former appropriation for Works Progress Administration was 1½ billion dollars.

As an effective means of reducing Works Progress Administration costs and speeding up a works program, may we suggest the elimination of the entire Works Progress Administration administrative structure.

We suggest that 1 billion dollars be allocated on a per capita basis to the various local political subdivisions to be expended by the locally elected officials of the various counties, cities, boroughs, towns, townships, and school districts.

By abolishing the administrative forces, 1 billion dollars should provide more work and at higher wages for the unemployed than the 1½ billion dollars under the present system.

The per capita allocation is suggested because the thickly populated areas obviously have the greater percentage of unemployed.

The procedure would be comparatively simple in operation, requiring a mere skeleton force to administer. The Federal Government could distribute the per capita allocation by States: the States in turn would make distribution to the counties, and the counties through to the local units. This would entail no extra administrative forces or expense.

The plan would largely eliminate partisan politics as a dominant influence, because in a majority of instances both major parties are represented on the various local boards and commissions.

Legislation should require some form of restriction in the type of projects, with preference given to public works requiring a large percentage of man-hours. As there would be little if any overhead involved in this method of procedure, the local officials could be authorized to pay the local prevailing labor rate for the type of work performed.

Allocation of funds on the above basis will tend to eliminate the use of the money for projects of little value to the public, because public sentiment would undoubtedly voice opposition to their local officials against the expenditure of the funds for any projects excepting those of an essential nature.

It would also to a large extent eliminate transportation costs on the workers, because each community would receive its share to provide work for its own citizens.

The suggestion should be in harmony with the President's expressed desire for economy, because it will eliminate all unnecessary Federal, State, and local Works Progress Administration administrative forces.

We sincerely hope that the suggestion will meet with your approval and that you will present the same to your committee for consideration during their deliberations.

Sincerely yours,

PENNSYLVANIA HOME RULE ASSOCIATION,
THOMAS S. STEPHENSON,
President.

STATEMENT OF MARRINER S. ECCLES, GOVERNOR OF THE FEDERAL RESERVE BOARD

The CHAIRMAN. I want to say to the Members of the Committee that I had asked Governor Eccles of the Federal Reserve Board to appear on Friday of this week, and only yesterday afternoon requested him to appear today. Mr. Eccles did not want to come at any time. I did not have to resort to sending a subpoena to bring him here, but at one time I thought I would have to do it. He is a very reluctant witness. Nevertheless, he is here.

Governor Eccles, how long have you been Chairman of the Federal Reserve Board?

Mr. ECCLES. Since February 1, 1936, which was the effective date of the Banking Act of 1935 so far as the reorganization of the Board was concerned. Previously, I was appointed as a member and as Governor of the Board beginning November 15, 1934.

The CHAIRMAN. This committee is acting under a resolution with which you may or may not be familiar. The purpose of our inquiry is simply to ascertain the extent of unemployment, the cost of that unemployment, the revenues therefor; and then to endeavor to procure opinion from Government officials, business leaders and labor leaders, as to what, if anything, can be done by Government to encourage private industry to provide jobs and where such jobs cannot be provided by private industries, to recommend the methods to be pursued by Government to render assistance.

I wish you would state to the committee, first, the picture of 1937, as you get it from the information furnished to the Federal Reserve Board. I would like to know in what month industrial production reached its recovery peak; how that peak compared with 1929; what recession there has been to date; and, in that connection, we will be glad to have any information that you have, and which you can furnish to the committee.

Mr. ECCLES. Mr. Chairman, I have had very little time to give this the preparation it deserves, but I will undertake to outline, briefly, what I understand the situation to be.

I would like to say in appearing here that I am expressing my own views, and not necessarily those of the Board or the Reserve System or the administration. I am not here representing anyone except myself.

The Federal Reserve Index of Production got up to 121 (that is, of the average 1923–25 index figure of 100), in December 1936. In August of 1937 it was 117. The recession, up to that time, was minor. In November the index was down to 89. The best estimate we can give at this time for December, is that it would be around 83.

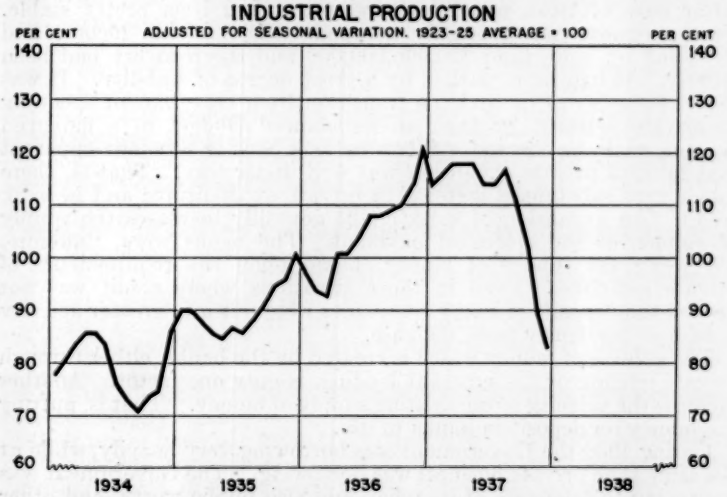
The index of production seemed to be leveling off in December for the first time since the decline started.

SHARPEST RATE OF PRODUCTION DECLINE ON RECORD

This is the sharpest rate of decline in production on record. In this period the weekly wholesale commodity price index figure, which was 100 in 1926, averaged 87 in September, and on December 25, 81.2.

The price index of farm products at the end of September was 87.3. It fell to 72.9 percent as of December 25. Prices of commodities, other than farm products and foods, fell from 85.9 to 83.6, or a decline of 2.3, as against a drop of very close to 15 points in the farm products price index.

Department store sales, which are an important figure, through October were 93; in November, 91; and the estimate for December is 90.



Rents had been going steadily up until about October. Then they leveled off, and are now tending downward.

Residential building continued to decline. It started to decline last spring, and has continued through December.

That is just a very brief outline of the present picture of production, prices, and construction.

I might add that freight carloadings, which were at a high of 84 in April, were down in December to an estimate of 67.

Factory pay rolls were at a high of 105 in April and May. We have no estimate or preliminary figure for December. However, the preliminary figure for November is 89. Of course, it will be lower than that in December.

Every one of the figures indicates that a severe decline has been under way in employment and in production. Some prices have declined considerably and others very little or not at all.

With reference to the security markets, high-grade bonds, including Governments, have shown considerable strength, particularly Governments, during the last 3 months, whereas stocks have undergone a severe decline.

Second grade securities—that is, bonds of certain types of business such as rails—have shown considerable weakness during the last 3 or 4 months. That is a typical development for a deflationary period, where high-grade securities tend to reflect the absence of opportunity for profitable investment and the prospects of increased buying power for money, whereas equity securities and real estate tend to go down in price, reflecting the deflationary trend, just as they go up much more rapidly in an inflationary trend.

FACTORS INFLUENCING RECESSION

The CHAIRMAN. Mr. Eccles, what, in your opinion, were the most potent factors influencing the recession?

Mr. ECCLES. From the upturn in the latter part of 1933 until the latter part of 1936, nonagricultural prices had been pretty stable. Unemployment had gradually lessened. The national income had increased by more than $20,000,000,000 and the recovery had been orderly. It had been marked by a great degree of stability. It was hoped by many of us that the transition from Government spending to private activity, or from an unbalanced Budget to a balanced Budget, could be effected. When we look back it becomes apparent that in 1936 private expansion was well under way. That is, there was a very substantial increase in private expenditures and in bank credit. An expansion of bank credit normally increases the supply of money, or the means of payment. The banks were, therefore, increasing the supply of money, based upon the requirements of private activities. Even in those situations where credit was not needed the deposits of many companies were put into greater activity than had previously been the case.

The volume of money which is created by the banks, either through private lending or Government lending, is only one factor. Another factor is the velocity of the existing supply of money. That is, putting the money on deposit in banks to use.

During 1936 the Government was borrowing very heavily, while at the same time private business was borrowing. The Government was borrowing to take care of its relief, and also public works, and other programs. Also, at this time the payment of the bonus came in. Thus, in 1936 there was a large increase in the volume of bank credit, and in the velocity of existing bank funds toward the latter part of the year. Personally, I think that it was unfortunate that the bonus was paid in 1936, at a time when other large expenditures were being made by Government in other fields, and when expenditures were also being made on an increasing scale by private business. I think that had the bonus been paid possibly in 1934, it would have tended to compensate for the lack of activity at that time in private business. But it seems that we were all going in the same direction at the same time in the fall of 1936, and that this accentuated the inflationary development. A price distortion took place from the fall of 1936 to the spring of 1937, bringing about a very rapid increase in the price of stocks, in anticipation of great business activity, and profits, and bringing about a very large increase in building costs, and costs in the heavy goods industries, generally. An inflation psychology developed, and was followed up by the desire to convert money into things, because people were of the opinion that things were going higher. Nearly every business undertook to place future

orders. There was an effort to buy, not only for current needs, but for future needs. This accentuated further the strength of prices in many fields.

Senator CLARK. Was not that precisely what the Government itself had tried to force under the N. R. A. scheme—this purchasing for future needs, as well as present needs, on the theory that the whole business was going higher? That was the whole theory of the N. R. A., was it not?

Mr. ECCLES. I am not familiar with the history of the N. R. A. I was trying to answer the question of the chairman with reference to——

Senator CLARK (interposing). I did not mean to interrupt your trend of thought.

Mr. ECCLES. I was trying to answer the question as to what were the contributing factors to this present situation.

The increased construction costs discouraged the building of homes. Costs went up faster than rents; it made building for rental an unprofitable venture. The income of the great masses of the country did not rise as fast as construction costs. Because of the abundant crops of the farmers, the prices of agricultural products, as I have indicated, did not go up as did the prices or costs of some labor and some materials, particularly in the heavy-goods industry, so that the recovery got out of balance. A distortion developed in prices.

Senator LODGE. Did I understand you to say that wages are too high; that they are getting too large a percentage?

Mr. ECCLES. No; I did not say that, Senator. I think a question of that sort cannot be answered by yes or no.

Senator LODGE. You think there is a maladjustment?

Mr. ECCLES. What I am saying is that prices of construction and prices of many other things went up, while the buying power of a great part of the population, particularly agriculture, did not go up correspondingly. They were unable to buy at the increased prices. If their prices had gone up in the same degree, it would have made no particular difference insofar as their ability to buy was concerned. In other words, if agricultural prices, wages, and incomes, generally, had gone up in relationship to certain wages and certain prices, possibly we could have continued to do business on an inflated or higher scale. At least, theoretically, that would be true.

PRICE DETERMINANTS

The CHAIRMAN. Along that line, would it be due to the fact that agricultural prices are governed, to some extent, by world prices?

Mr. ECCLES. Yes. World prices determine the prices of some of the basic agricultural products, whereas the prices of certain manufactured products are determined by the world price plus the tariff. The tariff enters into that picture as a factor; whereas this is not true with many basic agricultural products.

The CHAIRMAN. Would there be more rigidity in the prices of material and labor than in agricultural commodities when the basic commodities are priced at home?

Mr. ECCLES. There is, of course, a great deal of rigidity in certain prices and wages, whereas in the case of certain wages and certain other prices there is more flexibility, and they adjust themselves very rapidly to changes in supply and demand. At the same time that

the price increases took place there were demands by labor for an increased share of the increased profits from the increased activity of business. Such demands were perfectly justified, but, as a result of that, strikes developed. There was a feeling on the part of many business interests that they would have difficulty in getting deliveries, and a great backlog of orders was built up. There was a seller's market. That is one reason why, even though prices failed to go up after April, there was no diminution in production or employment until about August. Business, generally, was living on a large backlog of orders. While this development was going on in the field of private activity, Government commenced to reduce its expenditures, or, at least, its contribution to community buying power was very greatly lessened. The failure of production to continue to expand, and construction to continue to grow, brought about, shortly, a contraction in the volume of credits as inventories began to decline and were converted into funds, and these funds were used to pay off loans, to some extent.

As values went down pressure for paying off loans developed because the margin of commodities or securities back of the credit decreased.

The CHAIRMAN. When did that occur?

Mr. ECCLES. I am not speaking of any specific instance, excepting that as the value of collateral diminishes to a point where a bank may feel unsafe in continuing to carry it, whether it be on commodities or other assets, there is a pressure by the lender, whether it be a bank or any other lender, for payment of the loan. That tends to bring about a certain liquidation. That has not been extensive. I think it has been very mild, because of the small amount of speculative credit that was expended.

The CHAIRMAN. That was a development of the fall, was it not?

Mr. ECCLES. Yes; that is right.

The CHAIRMAN. When do you say there was a reduction in Government expenditure?

Mr. ECCLES. I can take the picture for the 11 months of this year as compared with last year. It is estimated that the excess of cash expenditures over cash receipts for the first 11 months of 1936, as compared with the first 11 months of 1937, showed a difference of over $3,000,000,000.

Senator CLARK. How much of that is represented by the payment of the bonus?

Mr. ECCLES. I could not give you the exact figure on that. Total bonus payments in 1936, of course, aggregated about $2,000,000,000.

Senator CLARK. What I was trying to get at was how much reduction, if any, there had been between the two periods in the normal expenditures by the Government, or what you might call the normal and extraordinary expenses of the Government, outside of the bonus.

Mr. ECCLES. I am not talking about Government expenditures. I am talking about the excess of cash expenditures over cash receipts. That would take into account, particularly in 1937, collection of social security taxes, which in 1936 were small, whereas in 1937 they have been large.

The CHAIRMAN. You are not talking about the expenditures of 1937 as compared with 1936, but you are speaking of the deficit in 1937 as compared with the deficit in 1936. Is that correct?

Mr. ECCLES. That is right. I am talking about the difference between what the Government contributed to the community ability

to buy in 1936 as compared with 1937. In other words, the payment of social security taxes is like the payment of any other taxes, as the community does not have these funds available to expend after they have been paid in taxes. The difference between the total collections and the total disbursements is the thing I am talking about. In 1936 the Government collected about three and one-half billion dollars less than it spent.

The CHAIRMAN. And had to borrow——

Mr. ECCLES. That is right.

The CHAIRMAN. To meet the expenditures.

Mr. ECCLES. That included the bonus payment. In the first 11 months of 1937 it is estimated that the Government expended more than it collected, including collection of social security taxes, by about $450,000,000, so that the Government added to the ability of the community, as a whole, to buy, $450,000,000 in the first 11 months of 1937, as against about 3½ billion dollars in the first 11 months of 1936. Of course, that was a very important factor. That was a very drastic decrease from the high point that the bonus and other expenditures had put us up to in 1936. As I look back, it certainly would seem that it would have been better if less had been expended in 1936 and more in 1937; in other words, if, in 1936, while credit was expanding and private activity was under way, there had been some lessening in Government expenditures, then if in 1937 the Government had been prepared to increase the contribution to the community to offset the decrease in private spending. In other words, the action of the Government, the fiscal policy, to my mind, has got to be compensatory, in that it can diminish only when private credit is expanding, and should expand only as private activity diminishes.

That is a general statement.

The CHAIRMAN. I know it is a general statement, but isn't this a fact, that one reason why the deficit was less in 1937 was because, through the social-security taxes, the revenues were higher?

Mr. ECCLES. That is right.

Senator CLARK. We were borrowing from the social security funds instead of borrowing on the money market for Government expenditures?

Mr. ECCLES. That is correct.

The CHAIRMAN. It does not mean that the expenditures by the Government were less, but it means that the deficit was less because the revenue was greater, due to the social security tax.

Mr. ECCLES. Well, what it means is that the Government contributed more to the ability of the community to buy in 1936—3½ billion dollars in the first 11 months—than it did in 1937.

The CHAIRMAN. That means only that the contribution by Government to the community for expenditures is the amount of its deficit.

Mr. ECCLES. You have a cash deficit and a bookkeeping deficit. Social security is figured, of course, as a liability to a fund. In the case of the cash deficit, it would be the total difference between what the Government takes in and what it expends. After all, that is the thing that affects community activity. It is not the bookkeeping deficit. It is the difference between the cash receipts and the cash disbursements, and if the cash receipts, for whatever purposes, are greater than the cash expenditures, by 3½ billion dollars, between 1 year and the next year, it means that private activity has got to

supply the 3½ billion dollars to offset it, in order to maintain the status quo.

The CHAIRMAN. I see what you mean. Whenever you have completed your statement of factors I want to revert to another question. Have you completed your statement of factors, or are there other factors entering into the recession to which you wish to call attention?

Mr. ECCLES. I will just briefly outline them. They are the costs and the price advances. Then there are the increases in inventories, which, according to the studies we have made, were about 35 percent more in September of 1937 than they were in September 1936. That is in the case of about 60 of the large corporations.

There was the downturn in construction, particularly in residential construction, due to the increased costs, and the failure of rents to rise sufficiently to make it profitable to build at the higher costs.

There was the change in the budget picture, which I have just outlined.

I might add to that the railroad situation which, due to the increased wage bill, and the increased costs of materials, tended to diminish the fund or the income of the railroads available for buying of equipment and doing needed maintenance work.

Of course, there are the utilities, which did not expand to the full extent which they, possibly, would have done had they felt that conditions were more favorable to their expansion.

All of these factors tend to feed upon the others.

As the stock market began to go down it tended to diminish buying power. At least, it tended to depress the holder of securities, and would tend to cause him to curtail expenditures, to some extent.

The CHAIRMAN. Now, reverting to an earlier month; when did the Federal Reserve Board first increase the bank requirements?

FEDERAL RESERVE BOARD INCREASES RESERVE REQUIREMENTS

Mr. ECCLES. They acted the first time in July 1936, when they increased reserve requirements by 50 percent. At that time there were something over $3,000,000,000 of excess reserves, and, on the basis of then existing reserve requirements, a sufficient amount to expand credit and increase deposits by something over $30,000,000,000, which would more than double the amount of total bank deposits that we had in member banks at that time, or that we had in 1929. It was perfectly evident that the huge volume of reserves was not necessary and, if used, could only create a very injurious credit expansion.

The CHAIRMAN. What effect, if any, did it have upon prices and conditions, generally?

Mr. ECCLES. That first increase had no effect whatever. The increased prices and the increased activity occurred after this action to increase reserve requirements.

From the time these reserves were increased until December, when the Treasury adopted a policy of sterilizing gold, reserves had continued to increase rapidly, due to the foreign capital that was coming into this country, reflecting itself in an increase in deposits, and an increase in the excess reserves of the banking system.

When the Treasury acted on December 21, 1936, to keep gold imports, or the effect of foreign capital imports from adding to excess reserves, which was accomplished by the sale of Government securities

or bills, and using the money from that sale to buy and sterilize the gold, that, of course, stopped a further increase in reserves, so far as they were influenced by gold imports, or so far as they were influenced by foreign capital coming into this country. The gold imported in this period was just a reflection of the foreign capital that was coming in. The desterilization, in itself, was not deflationary. It was only anti-inflationary. It merely stopped a further inflationary development resulting from further increased idle reserves.

In January the Federal Reserve Board decided to increase the reserve requirements to the full extent permitted under the law, which was another billion and a half. The excess reserves at that time were over $2,000,000,000.

We figured that the further increase in reserve requirements would diminish the excess reserves to between a half billion dollars and one

billion dollars. At this particular time the volume of deposits was in excess of anything that we had ever had before. The excess reserves still available after the final increase would have made possible a further expansion of credit, taking member banks as a whole, without resorting to borrowing from the reserve system, of from two and one-half to three billion dollars.

This chart will give the committee a picture of the deposits of member banks.

The CHAIRMAN. When was the peak?

Mr. ECCLES. It has remained approximately the same since that period.

The CHAIRMAN. What year?

Mr. ECCLES. 1937. It is up to the middle of 1937.

The CHAIRMAN. How does this compare with 1929?

Senator CLARK. When does that chart start?

Mr. ECCLES. It goes back to 1921. Here are the deposits in 1929 and here they are now [indicating].

The CHAIRMAN. What is the comparison between 1929 and 1937, January 1?

RECORD DEMAND BANK DEPOSITS

Mr. ECCLES. The net demand deposits of the banks, including currency in circulation, by comparison with 1929 is not here. I do not have the figures. I have merely the chart. This is over $30,000,000,000 here. Here, in 1929, it is slightly less than 30 billion [indicating]. This, in 1937, is about 32 or 33 billion. There is approximately 3 billion more of deposits at member banks.

The CHAIRMAN. Have deposits ever been greater than the figure you indicate for January 1937?

Mr. ECCLES. They have never been that great by 3 or 4 billion dollars at member banks.

Senator DAVIS. They are greater in 1937 than they were in 1929?

Mr. ECCLES. Yes. They are still greater—substantially greater. I merely wanted to give you that picture.

The CHAIRMAN. Let us go back to January 1937, when the Board determined to issue the order. What motive actuated the Board in issuing that order as to reserve requirements at that time, raising them to the maximum? Were they seeking a restriction?

Mr. ECCLES. It was not done as a restraining or deflationary action. It was done for the purpose of putting the Reserve Board in a position where its action in the future could be effective.

The way that the Reserve System would influence the use of credit on the part of the public, through the banks, would be to put the banks in a position where they had to borrow from the Reserve System in order to extend credit, and then the Reserve System could raise the discount rates, so that, in effect, the restraining action would have to be brought about largely by extinguishing any excess reserves, putting the banks then in a position where, if they extended credit, they would have to go to the Reserve System to get it, the Reserve System, in turn, raising the discount rate, so as to discourage the banks from borrowing from the Reserve System and, hence, discouraging them from making loans.

All during the period of the 20's the banking system operated without excess reserves. There was general borrowing from the Reserve System of substantial amounts by the member banks all during the 20's.

There has been practically no borrowing whatever from the Reserve System since 1933.

Last spring a great deal of pressure was being brought for the Reserve System to exercise a restraining influence upon advancing prices. There were many people who felt that the inflationary development that seemed to be under way last spring should be stopped by a restrictive monetary policy I disagreed with them and, briefly quoting what was said at the time, because it is better to give what was said at the time than to look back and think what you might have said, I said on March 15th——

The CHAIRMAN. Of this year?

Mr. ECCLES. Of 1937:

I have been and still am an advocate of an easy-money policy and expect to continue to be an advocate of such a policy so long as there are large numbers of

people who are unable to find employment in private industry, which means that the full productive capacity of the Nation is not being utilized. Under such conditions, to restrict the available supply of capital and thus to make it difficult, if not impossible, to employ these people would not only be antisocial but uneconomic.

I will not read all of it.

The CHAIRMAN. What steps were being urged upon the Board at that time, or what action did the Board take?

Mr. ECCLES. The steps that were being urged were not only to increase the reserve requirements, but also to carry out an open market operation by decreasing holdings of securities in the portfolio. In other words, reduce or eliminate the excess reserves entirely, and raise the discount rates.

The CHAIRMAN. You did not use the reserve for open market purchases?

Mr. ECCLES. We did not sell but we did purchase. We purchased about $96,000,000 of Government securities in April.

The CHAIRMAN. In April?

Mr. ECCLES. That is right.

The CHAIRMAN. When did the order as to the bank reserves go into effect?

Mr. ECCLES. It went into effect, one half on March 1, and one-half on May 1. It is not a flexible instrument. You can apply it only to two classes of banks. One class is termed the "country banks", which does not necessarily signify banks in the country district, but means banks which are not reserve city or central reserve city banks. New York and Chicago are the central reserve cities. Then there are about 60 of what we call reserve cities. Any increase or decrease in reserve requirements at city banks has to be made to apply to all of them, just as any increase or decrease at country banks has to be made to apply to all of them.

The CHAIRMAN. What effect did it have upon the bank reserves?

Mr. ECCLES. It decreased the excess reserves.

The CHAIRMAN. It decreased the excess reserves?

Mr. ECCLES. That is right.

The CHAIRMAN. What are the bank reserves as of today, or as of the last date about which you can tell us?

Mr. ECCLES. The member bank excess reserves at the present date are about one billion two hundred million. It is expected that they will increase to one billion four hundred million or one billion five hundred million as the currency in circulation diminishes. It is diminishing seasonally now.

The CHAIRMAN. That compares with what figure as of the date that the orders were issued by the Board?

Mr. ECCLES. I would say that is possibly six hundred or seven hundred million less than the excess reserves at the beginning of 1937, but the present excess reserves are of sufficient amount for members banks, as a whole, to expand credit by from six billion to eight billion dollars, so it would appear that when credit is contracting, as it has been for the last few months, it is not because of the inability of the banks to carry the credit, or extend more credit——

The CHAIRMAN. To what is it due?

Mr. ECCLES. It is due to the desire of people to apply funds against loans as inventories are reduced, or as accounts are reduced, or as

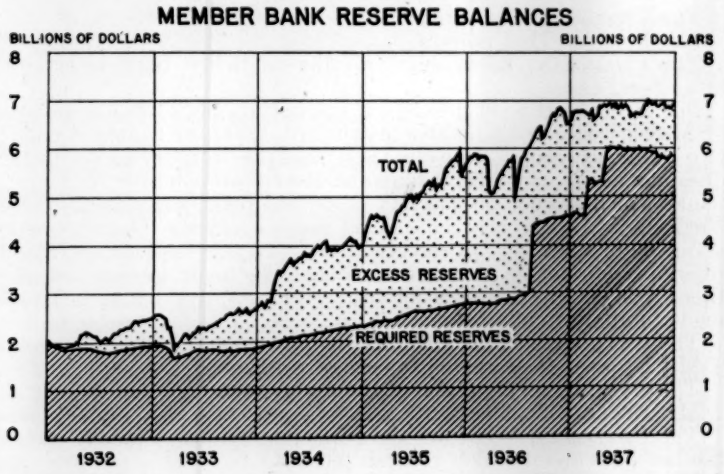
liquidation goes on. There is less opportunity to use funds profitably. Credit only expands, generally, when there is an opportunity to use funds thus borrowed or created profitably.

The CHAIRMAN. Due to the fact that prospective borrowers do not see how they can use those funds so as to make a profit?

Mr. ECCLES. That is right, and as inventories are reduced and accounts are reduced, which always goes on in a period of business contraction, idle funds are created, and those funds are used to apply against debts if a concern has debts.

In connection with that, and in reply to those people who say there has been a restrictive policy, I would like to show you the trend of the interest rate structure here from 1920. This figure here on the bottom is bankers' acceptances (referring to chart). You see that they are less than one-half of 1 percent.

The CHAIRMAN. Has it ever been lower than that?



Mr. ECCLES. Yes. It was lower from 1934 to 1936. It is a small item, however. The volume of bankers' acceptances amounts to very, very little.

The CHAIRMAN. How about the customers' rates?

Mr. ECCLES. This is the average customers' rates, in 27 leading southern and western cities [indicating]. It is at the lowest average that it has ever been.

The CHAIRMAN. What is the average at this time?

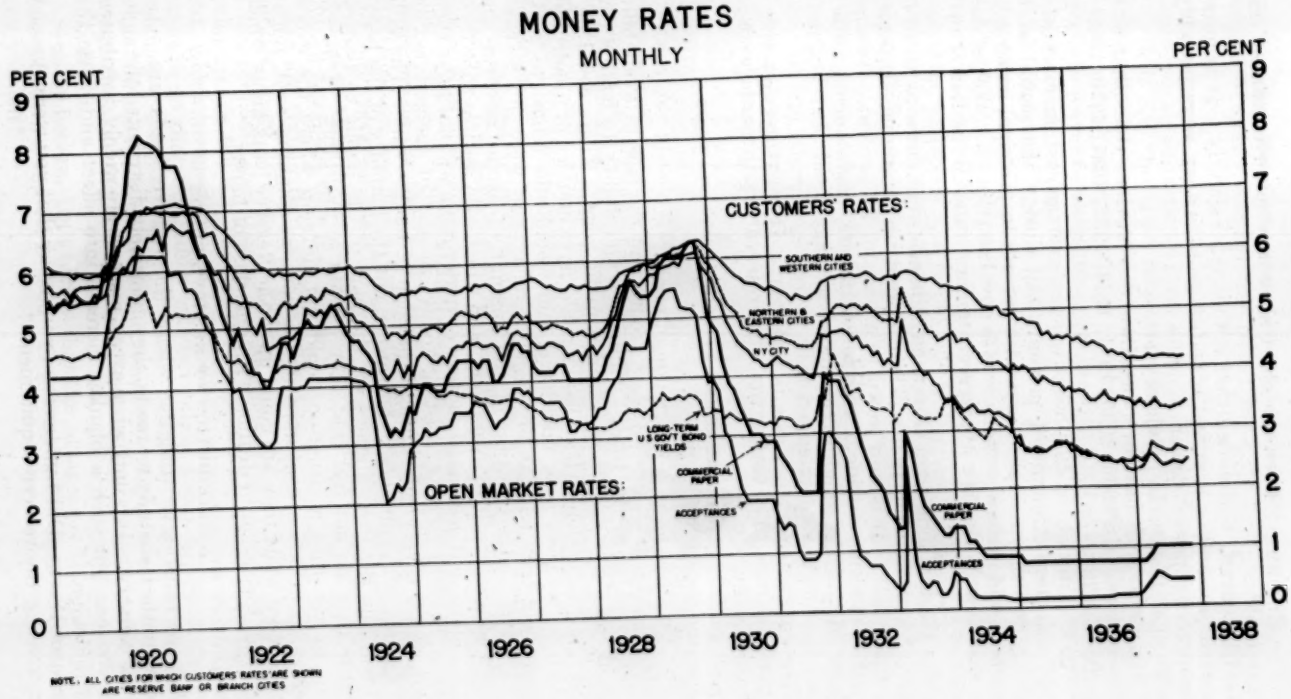
Mr. ECCLES. The average at this time is about 4¼ percent.

The CHAIRMAN. You mean that is the average interest rate applied to customers by the banks in the southern and western districts?

Mr. ECCLES. That is right for banks in principal cities in these sections. That would include all types of loans.

The CHAIRMAN. How about other sections of the country?

Mr. ECCLES. In eight leading northern and eastern cities, excluding New York City, the average customers' rate is a little less than 3½ percent.


MONEY RATES
MONTHLY
PER CENT
PER CENT
9
8
7
6
5
4
3
2
1
0
CUSTOMERS' RATES:
SOUTHERN AND WESTERN CITIES
NORTHERN & EASTERN CITIES
N.Y. CITY
OPEN MARKET RATES:
LONG-TERM U.S. GOVT BOND YIELDS
COMMERCIAL PAPER
ACCEPTANCES
COMMERCIAL PAPER
ACCEPTANCES
1920
1922
1924
1926
1928
1930
1932
1934
1936
1938
NOTE: ALL CITIES FOR WHICH CUSTOMERS RATES ARE SHOWN ARE RESERVE BANK OR BRANCH CITIES

The CHAIRMAN. Does the chart show any lower customers' rates than that?

Mr. ECCLES. You notice that it fluctuates slightly. It is never a straight line. For a period of a few months they were possibly a fraction of a percent lower.

The CHAIRMAN. In previous years——

Mr. ECCLES. It has never been lower in previous years than at the present time. In 1936, 1935, 1934, 1933, 1932, 1931, 1930, 1929, all during the 20's——

The CHAIRMAN. In 1929 what was the average customers' rate?

Mr. ECCLES. Around 6¼ percent. All during the period of the middle 20's they averaged around 5 percent in principal cities in the southern and eastern sections. It is now less than 3½. We get down to the New York City average customers' rate. It is less than 2½ percent.

The yield on long-term Government bonds went down to about 2.3 percent in December 1936. Then it went up to around 2¾ percent in April 1937. It is now down to a basis of 2½ percent. Two and one-half percent, outside of this period in here, from August 1936 to March 1937 [indicating], is the lowest average yield that long-term Governments have ever enjoyed.

The commercial paper rate is 1 percent. It was three-quarters of 1 percent from 1934 to the time the reserve requirements were increased finally.

Call loans have continued at 1 percent for several years.

I see no indication there——

The CHAIRMAN. Of a restriction of credit?

Mr. ECCLES. Of a restriction of credit, and the lack of availability of funds, so far as the banks' willingness and ability to lend is concerned, that is, where they consider credit good. There could be a good many situations where banks could have doubled or quadrupled the excess reserves they now have, and would still refuse to make loans where they felt the prospects of repayment were not satisfactory. It is not a question of the amount of excess reserves that always assures credit to everybody, and which also assures that those having loans that are unsatisfactory or undesirable will not have them called. Excess reserves, existing today, in and of themselves, are adequate for a very substantial expansion of bank credit. The difficulty today is the absence of borrowers, not the inability of the banks to loan, but the unwillingness on the part of the public to borrow, because they do not feel that they can do so profitably. I do not mean to say that a situation could not develop where the excess reserves, if deflation continued in the country banking area, might not go down while they are going up in the Reserve bank areas, which might call for action in dealing with one class of banks.

DISTRIBUTION OF RESERVE FUNDS

We are constantly studying where the reserve funds are. According to the last study we made, they are widely distributed throughout the country. It is only when excess reserves are widely distributed that you can put such a blanket increase into effect and cause the least difficulty.

Senator DAVIS. Did I understand you to say that you were opposed to increasing the reserve requirements?

Mr. ECCLES. No; I was not.

Senator MURRAY. Isn't it true that those very large bank deposits which you speak of were due to the fact that during the period that the Government was spending so heavily we had a very low income tax rate, which permitted a large amount of that Government spending to drift into the hands of private capital? That is to say, while the Government was spending so heavily, there was a low income tax rate, which permitted a large portion of the Government spending to get into private ownership and it was not kept in circulation?

Mr. ECCLES. I think the problem is not just that simple, Senator. I think that might be a contributing factor. Certainly, as the Government created money by borrowing which it spent, that, in turn, increased the deposits of others in the banks. As business institutions took in more money than they paid out, and held that money idle, somebody had to pay out more than was taken in. That is why I was for the undistributed profits tax, and still am, with modifications. As a monetary factor it is a very important element in our economy.

When business institutions take in more money than they disburse, either in dividends, in plant and improvements, or in the purchase of materials and labor, thus leaving their funds idle, that is deflationary in character; or, when they use those funds at a time like the present to pay off bank debts, it is deflationary in character.

"RAINY DAY" RESERVES

This whole principle of a "rainy day" reserve is a fine principle to apply to the individual corporation or the individual person, but when you apply it to the economy, as a whole, it won't work. What we mean by a "rainy day" reserve is that each person and business will get out of debt, and if it is good for one it must be good for all. If it is good for the big company it certainly must be good for the little individual.

The process of everyone getting out of debt, of course, means deflation. We have never had an expansion of business activity except with an expansion of debt. Our whole capitalistic system is built upon a system of debtor-creditor relationship, and if everyone proceeded on the theory of getting out of debt and having a "rainy day" reserve to meet a depression our insurance companies would certainly have no place to loan the insurance premiums that are paid in to them. Our savings banks would have no place whatever to loan the funds that they have.

We are trying, through a housing bill, to encourage people, individuals, to go into debt to build houses. Now, we come along with a tax proposal encouraging corporations to get out of debt and to build up idle funds. That is, they take in more funds than they pay out, which means that the Government must pay out more than it takes in so that the public will have these funds to spend during a business recession. In a business recession debt is extinguished. That is what tends to create the recession. Business expansion comes about through the use of credit, either Government credit or private credit.

Senator LODGE. Isn't it true that the advantages of incurring debts can be carried too far? You can go too far in that direction, too, can you not?

Mr. ECCLES. Oh, yes. There is no question about that. I am not advocating that every one can and should go into debt at any time under any condition.

Senator LODGE. I wanted to get that straight.

The CHAIRMAN. May I say this, that as chairman of this committee I wrote a letter throughout the country to every daily newspaper, and to many business executives and labor leaders and economists with reference to the provisions of the resolution under which this committee is acting, and, with marked unanimity, certainly the newspaper editors and the business executives, were of the opinion that one factor that contributed to the business recession was the fear on the part of capital or investment and, in turn, that fear was due, in great measure, to this tax. Inasmuch as you have mentioned the subject, I would like to ask you whether during the last years of the depression, say 1932, 1933, and 1934, when there was a real depression, the reserves of the corporations were used or not. Have you any figures?

UNDISTRIBUTED PROFITS TAX

Mr. ECCLES. Yes. I want to speak of that. In answer to the replies which you received to your inquiry, that this tax was deterring business, I would like to point out that we had this tax in effect last fall and this spring, when the activity of business, as I have indicated here, in forward buying and in the general expansion would, in no sense, indicate that the tax which was in effect deterred in any way the expansion which appears to have been too rapid in certain directions.

The CHAIRMAN. You state you are in favor of the principle. You do not mean that you are in favor of the tax as it is now being imposed?

Mr. ECCLES. That is correct. I am not in favor of it in its present form. I would like to say something about the principle of the tax, but I am speaking here now from the monetary aspects of the tax, as I see it.

The question of taxes was raised as a factor in connection with this whole subject, as I understand it, and it is difficult to treat the subject without referring to this question of taxes and their influence.

Some of the studies that have been made indicate that from 1929 when the cash and equivalent of large companies was at its highest point, they have not used or diminished substantially their rainy-day reserves. As a matter of fact, for a group of large industrial corporations the cash and equivalent as of January 1, from 1922 to to 1937, would indicate that they have had all the way from two and one-half to three billion dollars of idle funds, or their equivalent, which I suppose would be Government bills or short-term securities.

The CHAIRMAN. Two and one-half to three billion?

Mr. ECCLES. Yes.

The CHAIRMAN. How does that compare with the previous figure?

Mr. ECCLES. From 1½ to not exceeding 2½ billions up to and including 1928; that in every year from 1929 to 1937 they have had more rainy-day reserves than they had in any year prior to 1929.

The CHAIRMAN. Of course, I do not want to go into the tax because there are many phases of it.

Senator MURRAY. You think that there is no justification for this campaign for the repeal of those taxes?

Mr. ECCLES. I think the most deflationary thing that could be done would be to repeal completely the undistributed profits tax; that it would encourage the discontinuance of dividends; and the encouragement would be to pay debts and to keep funds idle on the theory of rainy-day reserves. We do not want a reduction of debt because if we get a further reduction of private debt we are going to have to get an expansion of public debt. Neither do we want the funds to remain idle. We want them to be disbursed, if only to stockholders.

There is this factor that I would like to mention, so as not to be misunderstood in connection with this tax; if business could be exempted from the undistributed profits tax to the extent that earnings were invested in plant and equipment, and for expansion of any kind, that would put the money in circulation, and give employment. This would be justified from a monetary point of view. It seems to me that in a period when we want expansion, we could well say to business that any funds invested in new plant and equipment facilities in excess of depreciation charges, during a certain period, could be deducted from earnings, so far as the undistributed profits tax is concerned, at such time as such earnings develop.

The present prospect of lower earnings, or small earnings, and the uncertainty of earnings looking to 1938, might not be much of an encouragement for business to go ahead and expand. But if expanded earnings in 1938, 1939, or 1940, we will say, could be offset against expenditures for plant in 1938, that, in itself, would seem to me to act as some stimulant to the expenditure now of some of the idle deposits, and it might also tend to induce corporations to borrow, because they would have the prospect of being able to pay back that borrowing out of earnings, looking to the future.

The CHAIRMAN. Let me call your attention to an illustration. I have in mind a small corporation, whose bonds were put upon the market, and it has a mechanical device. In the first year the marketing of this product is successful, and the earnings amount to more than 20 percent. Ordinarily, they would have been plowed back into the business. It was the desire of the few stockholders to do that, but, faced with the tax, instead of the money being put back into the business for expansion, it is distributed in dividends. As long as that continues there is no way of providing competition for the established business of the country. It stamps out competition and prevents expansion in the purchase of equipment. Your idea is that some exemption should be provided to enable a corporation of that kind to use that profit of 20 percent for expansion, or for the investment in business. Is that right?

Mr. ECCLES. I have advocated that.

The CHAIRMAN. You say you did advocate that?

Mr. ECCLES. Yes. At the time this tax came out I privately expressed some views with reference to it, calling for an exemption of a fixed amount of $15,000 or $20,000 to all corporations. That $15,000 or $20,000, based upon, I think, the 1929 returns, would exempt about 90 percent of all companies, and it would amount to less than 10 percent of the total corporate income of the country. It seemed to me that an exemption of that sort is necessary for the smaller companies, which do not have access to a capital market and are not using the corporate structure for means of tax evasion. When I say

"means of tax evasion," I refer to means of lessening the surtaxes of individual stockholders. The normal corporation tax which the small companies pay is already as great, in most instances, and possibly greater in a good many, than the stockholders of those companies would pay if they were a partnership. In other words, from the standpoint of equity, then, there is some justification in exempting the great bulk of the corporations of the country, and such an exemption, we will say, of $15,000 or $20,000, would permit those companies with twice that earning to hold half of it, and pay out half of it, and so on, and, at the same time, the very large companies, which have access to the capital market, would find that it would be a very small proportion of their earnings.

CAPITAL GAINS TAX

The CHAIRMAN. One other reason given by the correspondents in the communications to the committee for the unwillingness of capital to invest was the capital gains tax. Do you care to express an opinion on the effect that tax has had upon investment?

Mr. ECCLES. Yes; I would. I would like to say another word in connection with the other matter.

The CHAIRMAN. Yes.

Mr. ECCLES. So that I shall not be misunderstood. In a period of deflation inventories are reduced and are converted into cash. The cash may then be used to pay debts. Accounts are reduced. It takes less money to carry inventories, because of their decreased cost. The depreciation taken is not put back in, and it just adds to the cash of the corporation, and the average corporation, in a period of deflation, even though it shows no earnings, and may even show losses, will increase its cash. It will get its rainy day reserve in the form of cash through the natural process of requiring less working capital; and debts are liquidated through that process. That is the way it operates; whereas, at the height of business activity, if corporations have no debts, and have idle funds, then, as the recession proceeds, they will very likely add to those funds, even though they may show bookkeeping losses. That is a factor.

I would like to say this, that in situations where companies have statutory or contractual obligations, that naturally, should be taken into account in connection with the undistributed profits tax, so as to avoid unnecessary hardships, and so as to make the tax more equitable.

You asked the question with respect to the capital gains tax. It has been difficult for me to see why a person purchasing securities at the bottom of a depression, as many did in 1932, and carrying them until they appreciate anywhere from 100 to 1,000 percent, should be privileged to sell those securities and take that earning, which is money or buying power, in exactly the same manner as do those people who earn money for personal services—I do not see why they should be permitted to take that fund without paying their proper share of the taxes.

Now, money made in that way is often made by those people who render the least service; not always, but often. Certainly, the professional speculator or operator in securities, who tries to buy at the low point, by having funds or credit, and to sell at the high point, is not contributing a great deal to the general wealth and well-being of the nation, and is producing no real wealth.

It has been said that if the capital gains tax were greatly modified, or eliminated, it would tend to restrain the stock market from going as high as it otherwise might go, and that, likewise, it would put a cushion under it on the down side. We did not have the present capital gains tax in 1929, but this did not restrain the market from going pretty high, and neither did this restrain it from going very low in 1932. It seems to me when the market was going up there might have been considerable selling on the part of some people if the tax had been very much less, but, likewise, there would have been considerable buying on the part of a lot of other people who would have been encouraged to buy because of the opportunity of making a profit, thinking that the stocks would go still higher. It is my opinion that there would, possibly, be more buying on the up side than there would be selling.

CAPITAL GAINS TAX NOT APPLICABLE TO FOREIGN INVESTORS

Foreigners, who owned a substantial amount of our American stocks, were not heavy sellers of stocks at the high point of the market, and there was no capital-gains tax applicable to them. It would seem that if the shrewd, foreign investor did not sell on the upside of the market when there was no capital-gains tax, clearly, the American investor would not be more likely to sell.

The CHAIRMAN. The statement made by the committee is not directed so much to the effect of that tax upon the capital gains, but the failure to permit the deduction of losses. If you want to include gain in estimating net income, should not you, likewise, permit the deduction of losses?

Mr. ECCLES. Of course, you permit the deduction within the year.

The CHAIRMAN. Let us not consider it from the point of a speculator. Here is a man who is not a speculator. He makes $10,000 from the sale of one stock, and he loses $5,000 on another in the year. He has held that stock. He has had the certificate for 5 or 6 years. The argument is that he should be permitted to deduct that $5,000 loss, just as he should be taxed on the $10,000 gain.

SPECULATOR VS. INVESTOR

Mr. ECCLES. We try to draw a distinction between the speculator and the investor, based upon the time his security is held. I think some of our most successful speculators are the people who never borrow money at all, who buy in the depression, and always hold during the business cycle. Those fellows are the real speculators. The pikers in the picture are the fellows that buy within the year and maybe sell within the year, or sell the following year, and who buy on credit. The real speculators today only pay on a basis of 40 percent of the profit if they hold for 5 years or longer. Today the holder over a long period has got some real benefit. In answer to your question about being able to offset capital loss against capital gain by carrying it over, I would say that I would be personally in favor of that. I think that that would make the tax much more equitable. Certainly, if a person within a period of 5 years has capital losses equal to capital gains he should not be expected to pay a heavy tax on the capital gains and have no opportunity of offsetting that at

some time against the capital losses. There should be an opportunity, over some period of time, at least, to do that.

The CHAIRMAN. I did not want to get you into the tax field.

Mr. ECCLES. Apparently I have gotten into it very deeply.

CREDIT OF U. S. GOVERNMENT

The CHAIRMAN. I wish you would tell me what you have to say about the credit of the United States Government at this time.

Mr. ECCLES. The chart on excess reserves which I showed you a moment ago shows that the Reserve System has locked up 3 billions of dollars of excess reserves, so that it cannot be said that those funds are in the hands of the banks so as to force Government bonds to a lower yield basis.

The Treasury has been sterilizing gold, so it cannot be said that their action is one of trying to make an easy Government bond market for themselves, and, yet, in the face of the action which the Board took, and in the face of the action which the Treasury took, you have Government bonds today, long-term Government bonds, selling on a yield basis of around 2½ percent. It seems to me that that speaks pretty well for the Government credit.

The amount of funds available for investment, and the scarcity of desirable fields to invest them in is certainly, in part, responsible for the strength of the Government bond market.

The CHAIRMAN. What percentage of bonds is held by banks?

Mr. ECCLES. These are the member banks, which hold almost 85 percent of the total commercial banking resources. According to this chart here, along in the middle of the summer they held over 12 billion of Government bonds. I am not giving it exactly because what I have here is a chart.

The CHAIRMAN. That accounts for 85 percent of the banks?

Mr. ECCLES. Yes. That would account for approximately 85 percent of the total banking resources, member banks. The nonmember State banks are not in this.

The CHAIRMAN. By that I do not mean bonds issued which are guaranteed, as in the case of some of the corporations established, but those are the direct obligations of the Government, is that right?

Mr. ECCLES. That would include both.

The CHAIRMAN. Both?

Mr. ECCLES. Yes. The direct obligations are slightly under 11 billion, and the guaranteed obligations are slightly under 2 billion.

The CHAIRMAN. There is one other subject to which I wish to direct your attention. You have referred to our gold owned by the Treasury. What is the amount, or what is the value of the gold?

Mr. ECCLES. The gold which the Treasury has sterilized is something over $1,200,000,000.

The CHAIRMAN. What is the amount of the stabilization fund?

Mr. ECCLES: Two billion.

EFFECT OF USING STABILIZATION FUND

The CHAIRMAN. What would be the effect of using that gold?

Mr. ECCLES. There are several ways by which you can increase member bank excess reserves. One way would be for the Board to act to decrease the reserve requirements.

The CHAIRMAN. Yes.

Mr. ECCLES. Another way would be to increase the purchases of Government securities in the open market, which we call open market operations. A third way would be to desterilize gold. The Government borrowed money to buy the gold, and if the gold is desterilized, and the funds used to retire debt, what that would do would be to decrease the Government debt, on the one hand, and increase the excess reserves of the banking system on the other. It would not increase bank deposits, and it would not increase consumer buying power. On the other hand, if the gold were desterilized, and by "desterilized" I mean deposited with the Reserve System, and the Government given credit, and the Government then spent those funds, not using the funds to reduce the debt, those funds would then go out through the country and would become increased deposits in the banks, and they would also increase the excess reserves. That action would, of course, be reflationary on two fronts—first, the increase in the reserves; secondly, the increase in the total volume of funds, and the increase in buying power at such time as the funds might be expended. That is merely the mechanism of it.

The CHAIRMAN. Let me get the mechanics. Say, for instance, we assume we are spending $1,000,000,000 for relief purposes and, of course, the expenditures are in excess of the revenues during the next year; instead of borrowing that billion dollars we desterilize this gold.

Mr. ECCLES. The gold is an asset——

The CHAIRMAN (interposing). It would be using an asset of the Government, instead of the Government borrowing the $1,000,000,000?

Mr. ECCLES. It would be converting an existing asset into a deposit that the Treasury could spend, and as the Treasury spent it, it would become deposits throughout the country, on one side of the bank ledger, and on the asset side it would be idle reserves of member banks.

The CHAIRMAN. From the Government standpoint, first, it would mean that, assuming revenues were decreasing and credits were in excess, the Government would either have to increase the public debt by $1,000,000,000 or use an asset of the Government, amounting to a billion dollars; is that right?

Mr. ECCLES. That is right.

The CHAIRMAN. If deposited in the banks in the way you suggest it would be inflationary, would it not?

Mr. ECCLES. Yes; it would. It would be inflationary. At least, it would be antideflationary.

The CHAIRMAN. You can call it either way.

Mr. ECCLES. I do not know how inflationary it would be. One billion dollars of spending would, of course——

The CHAIRMAN (interposing). It would be an increase in the amount of debt.

Mr. ECCLES. A billion dollars of increased spending, if it worked quickly enough, and went into consumer-buying powers, would act as a very great stimulus, in my opinion, and would tend, I think, to stop the recession.

The CHAIRMAN. You think it would act as a great stimulus, and would tend to stop the recession at this time?

Mr. ECCLES. I think, whether that was done with gold or by other means—the point is that the prospect of private capital undertaking an expansion unless there is an increase in orders does not seem to me

to be very promising. In other words, what we need to do at this time is to sustain buying power, so that it would become profitable for private business to employ people. Private business is motivated in its action by profits, and Government is not motivated by the same reason at all. Government is forced to act for social reasons, and it seems to me that, as inventories are reduced, the cash proceeds are either going toward paying off further debt, which is deflationary, or are going to lie idle. The question is, are they going to take that money and put it right back into inventories again? They are not likely to. If they would take that money and get it into plant and equipment that would put it into circulation. If buying power should substantially increase, so that it became necessary to put those funds into inventories, in order to meet orders that, of course, would put it into circulation.

The CHAIRMAN. But your contention is that spending, if the funds are derived from taxation, by additional taxes, would not have that reflationary effect?

Mr. ECCLES. It would not, it seems to me, at this stage of the business cycle. An increase in taxes, and especially in your lower groups, or sales taxes of any kind, would be deflationary. Taxes in the very high brackets are, of course, pretty high. I don't know how much more might be put on in taxes in the group from $5,000 to $50,000. But an increase in taxes in a period of recession, in and of itself, is not likely to be reflationary, and may be deflationary.

The CHAIRMAN. Boiled down, debts should be reduced in times of good business, and when a recession comes we cannot hope to raise sufficient revenue to reduce debts.

A BALANCED BUDGET

Mr. ECCLES. You can only balance the Budget out of increased national income. I am as favorable as anybody could be to the objective of a balanced Budget, and over a year ago I was advocating the need of approaching a balanced Budget. However, I think that at this time to try to balance the Budget, either by substantial reduction in expenditures, or by increasing taxes, would be deflationary; and that it is not so much what the total debt of the Government is as it is the timing of the increase of the debt. In other words, assume that in 1936 there had been no debt at all, and therefore, it would have been said that the Government could well afford to spend five or ten billion dollars. Nevertheless, the spending at that time would have been very bad. It now proves to be the case that because they spent as much as they did spend, including the bonus, in that year, when private business was also expanding, it contributed to an unbalanced situation.

At the present time, when private credit is contracting, it seems to me necessary and desirable, if we expect to sustain buying power, that either private business must act to do it, and they must find a profit before they will act to do it, or Government will be required sooner or later to do it. It has always been my view that the longer we let a deflationary situation develop the greater the amount that is likely to be required.

The CHAIRMAN. How could you put on the brakes without deflation?

Mr. ECCLES. Do you mean generally speaking?

The CHAIRMAN. Is there any way?

Mr. ECCLES. I think when we look to a monetary policy as the sole factor for stabilizing economy we are going to be terribly disappointed, because it is not possible, through monetary action alone, to create complete stability in the economy or maintain a stable condition. It would not be difficult, of course, to put on the brakes tight enough to stop an inflationary development, but it is very difficult through monetary action to stop a recession. Your question was, how could that be done without bringing about a recession. Is that the question?

The CHAIRMAN. Yes.

Mr. ECCLES. Until we have reasonably full employment it seems to me that we will have idle men and idle facilities. It means that we can produce more. It means, it seems to me, that we should make available sufficient credit to enable us to utilize the man power and the productive facilities that we have, and that a restrictive monetary policy should not be followed merely to correct these distortions that have developed due to monopolistic and restrictive practices. If you have a condition of reasonably full employment, and then prices begin going up, certainly a restrictive monetary policy should be adopted, because a further expansion of credit, when it was not resulting in further production of goods, would be bad, and if you were utilizing your manpower and your facilities close to capacity, certainly a further increase in the supply of money would only lead to increased prices. In other words, the available supply of credit should be restricted when such a condition develops, in order to keep the increased money supply from merely adding to increased prices.

The CHAIRMAN. Are there any questions, Senator Davis?

Senator DAVIS. If the Federal Reserve Board can put on the brakes, as the chairman called attention to a few moments ago, surely you have some sort of accelerator there that you can start things off with, haven't you? What would you suggest?

Mr. ECCLES. I only wish we did have an accelerator. What do you have in mind, Senator, that we have as an accelerator?

Senator DAVIS. Is there any way at all that the Federal Reserve Board can be helpful in a situation such as we are now in?

Mr. ECCLES. I do not know that the Reserve Board can do any more than it is doing, keeping rates at the lowest they have ever been in the history of this country. We cannot induce corporations or individuals to go into the banks and borrow. We can only create a a condition as favorable as it is possible to create for borrowing. We believe that that condition, generally, exists. If our surveys and our consideration, from time to time, show that banks need more funds in order to be able to make loans, then it seems to me it might call for action. At the present time, however, as I indicated a while ago, there are close to a billion and a quarter of excess reserves. We expect those to reach close to a billion and half during the month of January; at least, from one billion four hundred million to a billion and a half. Now, if those excess funds are not being used, but are only being added to by credit contraction, how can we, by merely adding to those funds, substantially induce their use?

The CHAIRMAN. Following that question, have you any suggestion as to what Congress can do at this time which would be helpful toward facilitating recovery?

SUSTAIN CONSUMER BUYING POWER

Mr. ECCLES. The most important thing at the moment is to sustain consumer-buying power. So long as the public believes that prices are going lower it wants money instead of things. When it thinks that prices are not likely to go lower, but may go higher, then it wants to use its money. The present psychology is one that has created in the minds of the public the expectation of substantially lower prices.

Now, it seems to me that we are badly unbalanced in that we have what we term, on the one hand, sticky or rigid prices and wages, and we have, on the other hand, a continuation of the decrease in the prices of many raw materials, and in the wages of unorganized workers.

The longer the recession goes on the farther out of balance we become. It seems to me that there is more of a disequilibrium today than there was last spring. It seems that what we ought to do is to put a bottom under or lift up the buying power of the farmers and the unorganized workers, through some means of sustaining that buying power, on the one hand, and then, if there is some way to get business, as well as organized labor, especially in the building field, but possibly in other fields, where the advances were spectacular, and were possibly too rapid, and where prices have gone too high——

Senator DAVIS. Are labor costs too high?

Mr. ECCLES. In many fields they are too high, because the services of labor are not being employed. I would like to refer to what I said about wages on March 15, 1937:

> Increased wages and shorter hours when they limit or actually reduce production are not at this time in the interest of the public in general or in the real interest of the workers themselves. When wage increases are passed along to the public, and particularly when industries take advantage of any existing situation to increase prices far beyond increased labor costs, such action is a shortsighted and indefensible policy from every standpoint.
>
> Wage increases and shorter hours are justified and wholly desirable when they result from increasing production per capita and represent a better distribution of the profits of industry. When they retard and restrict production and cause price inflation, they result in throwing the buying power of the various groups in the entire economy out of balance——

Senator DAVIS. Do I understand what you are saying here is that labor receives too large a share of the total national income?

Mr. ECCLES. Let me finish this, Senator.

Senator DAVIS. Yes.

Mr. ECCLES (continuing):

> Working a particular hardship upon agriculture, the unorganized workers, the recipients of fixed incomes, and all consumers. The upward spiral of wages and prices into inflationary price levels can be as disastrous as the downward spiral of deflation.

That is the statement I made then, and that fits the situation now with respect to my views of what is in the interest of labor.

The CHAIRMAN. Your statement is that if it reaches a point where it causes labor to lose its job entirely, and to lose its purchasing power, it is too high?

Mr. ECCLES. When it results in increasing prices and throwing prices out of line with consumer-buying power, it not only works against the interests of industry, as we have seen, but it works against labor, because the laborers lose their jobs.

The CHAIRMAN. That is true of prices of materials, too?

Mr. ECCLES. Yes, that is right. In the building field it is typical. We found that, due to the rapid increase in building costs, due to both increase in building labor, reduction of hours, and of work, and an increase in prices, industry lost its market, and labor lost its job.

Senator DAVIS. Are you of the opinion that the wages of labor in the building industry should be reduced?

Mr. ECCLES. I am of the opinion that labor, as well as industry, would be better off if they voluntarily took a reduction to an amount that would put back the costs and wages to where they were before most of the advances at the end of 1936. If we could go back to that level and bring up the buying power of the other groups to where it was at that time we would be in a position, certainly, to go forward.

Senator DAVIS. To what other groups do you refer?

Mr. ECCLES. I am referring to the agricultural workers and, generally, the unorganized worker groups. As to farm labor, I think that possibly it has taken some reduction from what it was getting.

PROFITS AND CESSATION IN THE BUILDING INDUSTRY

Senator MURRAY. Isn't it a fact that the corporations increased their prices away beyond what was justified by increases in wages, and was not that the real cause of the cessation in the building industry?

Mr. ECCLES. Not altogether. That was part of the cause. Of course, unless corporations are permitted to make a profit——

Senator MURRAY. Do not the corporations demand a larger profit than they should be satisfied with in this country and are they not getting too large a profit?

Mr ECCLES. Averaged over a period of years, of course, that is not true. I think that is the difficulty. If we could in some way stabilize profits, that would be well, but what we seem to do is to have a very large profit for short periods, and then great losses for other periods. If the corporations did assume a policy of keeping prices down and stimulating production, and thus getting a greater volume, they would, I think, in the long run, make more profit, and be better off.

Senator MURRAY. Do not they pay enormous bonuses to their head officials for the purpose of encouraging them to increase these prices, and make such enormous profits?

Mr. ECCLES. I think, in the aggregate, that all that they pay to the officials is a very small factor, and that, in itself, it would not be, in dollars, an important factor in the picture.

Senator LODGE. I understood you to say that rising prices created a condition in which people wanted to exchange their money for goods and that it was, therefore, a good thing from the standpoint of employment. Is that right?

Mr. ECCLES. That is right. I would not say rising prices.

Senator LODGE. The expectation of prices rising.

Mr. ECCLES. That stimulates speculative buying. If people generally, even though they did not expect costs to go up, were sure that they would not go down, it would lead a lot of people to buy. Prices do not necessarily need to go up to stimulate buying. When they start going up people buy beyond current needs.

Senator LODGE. At the present time prices are so low that they are deflationary.

Mr. ECCLES. At the present time the general psychology is that prices and things may go lower, and to the extent that people feel that prices are going lower, there is a hesitancy to use the funds available, which are in abundance, to buy.

Senator LODGE. How do you reconcile that with the attack on high prices and monopoly?

DEFLATION AND PRICES

Mr. ECCLES. For the very reason that prices are so high that a lot of people in the lower income groups, and agriculture, are unable and unwilling to buy.

Senator LODGE. I have also been thinking that they were too high, and I have been saying so. I understood you to say that the thing that is deflationary is low prices and the anticipation of lower prices.

Mr. ECCLES. The expectation of lower prices. I hope one would not conclude from that statement that the only way we can keep activity is to keep raising prices indefinitely, because if we proceed on that theory we will have to make an adjustment from a higher level.

Senator LODGE. That is the point I make.

Mr. ECCLES. We got out of balance last year, and have been getting further out of balance all year, because there are some very flexible prices that go down rapidly, on the one hand, and some very sticky prices and wages on the other hand. You are either going to have to bring up the buying power of the one group through some means or other, or you are going to have to bring down the wages and the prices of the upper group, or you have to do some of both. My view is that you have got to sustain consumer buying power, generally, which would tend to stop a further recession in these prices that have already gone, possibly many of them, too low.

Senator LODGE. You think that sweat shop labor and that kind of thing ought to be raised?

Mr. ECCLES. I certainly do. On the other hand, if industry, the big industries, and labor organizations, would make an adjustment downward, it would prove to be in the interest of both.

Senator DAVIS. How do you determine that the building labor is asking too high hourly rates and pay?

Mr. ECCLES. Because no one will buy their services. That is the best evidence of that.

THE BUILDING WAGE

The CHAIRMAN. In discussing wages in the building industry I understand you are discussing the hourly pay and not the annual wage of the worker.

Mr. ECCLES. Yes. I am glad, Senator, you brought that out because I, possibly, have not made myself clear. A high hourly wage has brought about a low annual wage. The cost of construction and the cost of many materials is determined, in part, by the hourly wages, and if the hourly wage were less, the annual wage, in my opinion, would be far greater.

Senator DAVIS. Of course, labor's position, I assume, is that when they voluntarily consent to a reduction of the hourly wage, they have no guarantee that any reduction would result in an increase in the annual wage, but they fear that it may just increase the profits of the

builder or contractor, and, instead of benefiting, they would lose. Do you know of any plan by which labor can be assured of an increased annual wage if there is a decrease in the hourly wage?

Mr. ECCLES. No; I know of no plan unless the Government itself would become the guarantor, and that would involve a very complicated mechanism, and, I suppose, a good many difficulties.

Senator DAVIS. You agree that labor is afraid that a voluntary reduction of the hourly wage would not result in an increase in the annual income, and that there could be no guarantee offered?

Mr. ECCLES. I think justly so. There certainly would be no benefit merely for the bricklayers, for instance, to agree to take a 20 or 25 percent less hourly wage in order to get more employment. That, in itself, would not reduce the cost of building enough to be a factor. It would be of no great importance, even if labor itself, the carpenters and plumbers, and all, would take some cut unless, on the other hand, some of the materials were, likewise, brought down. And, likewise, with industry. I cannot blame industry for holding up prices and restricting production when merely by reducing their particular prices that in itself is not going to give them a capacity volume of business. They are only part of a total picture. Naturally, they have inventories that cost them a certain amount, and they do not want to take a loss, and they naturally, restrict production and hold prices. They do exactly the same as labor does. Labor holds wage rates and works less days. It is a parallel case. If there were some way whereby we could get all the big building industries, including steel, and get the principal people in the labor organizations, all to take an adjustment, I think we would go forward with very little stimulation on the part of the Government. Of course, there are many in the labor field in the lower-paid groups that, possibly, should take no adjustment. I am speaking of those getting the higher hourly wages, which have been substantially advanced during the past 12 or 15 months.

Senator MURRAY. That would have to be the result of mutual arrangement between labor and the employers.

Mr. ECCLES. That is right, and merely for one group of labor or one industry to do it would, in itself, serve no purpose. That is why the thing does not come about quickly. We have seen that from 1929 to 1933, all during that period, there was very little adjustment in certain prices, whereas in the case of other prices there was practically no bottom, as in the case of agricultural prices, for instance. That is the problem we have here; one part of our economy, where there is no control over prices, or wages or hours, and there is no bottom; and, on the other side, there is organized control, where wages and prices go up, and then they stay there, and it is very difficult to get them down. That seems to me to be the root of the problem, and merely letting nature take its course is not going to improve the situation.

WHAT WE NEED

It seems to me what we need, and what we have got to have, is at least to stop, through some governmental action, a further diminution of consumer-buying power. We are not going to get a balanced budget by restriction, because the budget, as I have said before, can only be balanced out of increased national income. We have to

turn the cycle by people having greater buying power, and by those who do have that buying power being willing to use that buying power because they have more confidence in a stable price structure.

Senator LODGE. Do I understand correctly that you favor putting $1,000,000,000 of this sterilized gold into circulation for public works?

Mr. ECCLES. I did not express that opinion. I was merely asked as to the mechanics of the operation. I prefer to express no opinion on that. That seems to be a responsibility of others.

Senator LODGE. I thought you said that.

Mr. ECCLES. No, I did not say that.

The CHAIRMAN. What you stated was what would be the effect of doing it.

Mr. ECCLES. That is right. I made no recommendation. I am not recommending. I am merely attempting here to outline these things.

The CHAIRMAN. You did say that you believed it would be a great stimulus, and would be an important factor in ending the recession.

Mr. ECCLES. That is right.

The CHAIRMAN. If there are no further questions, the committee stands adjourned until 10 o'clock tomorrow morning.

Mr. ECCLES. Do you wish me to come back tomorrow?

The CHAIRMAN. No. We do not want you to come back. You have been very kind. Thank you.

(Whereupon, at 5:10 p. m., the hearing was adjourned until tomorrow, January 5, 1938, at 10 a. m.).

UNEMPLOYMENT AND RELIEF

WEDNESDAY, JANUARY 5, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m. in room 357, Senate Office Building, Washington, D. C., Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch.

Present also: Alan Johnston, Esq., counsel for the committee.

The CHAIRMAN. The committee will come to order.

STATEMENT OF VIRGIL JORDAN, PRESIDENT, NATIONAL INDUSTRIAL CONFERENCE BOARD

The CHAIRMAN. Mr. Jordan, you are the president of the National Industrial Conference Board?

Mr. JORDAN. Yes, sir.

The CHAIRMAN. First, will you tell us something about that organization.

Mr. JORDAN. The Conference Board is an institution for research and education in industrial economics and industrial management, established 21 years ago. It is the oldest and largest private organization for research in those fields in this country.

The CHAIRMAN. Do you publish an estimate, at stated intervals, of unemployment?

Mr. JORDAN. Yes, sir; we have been issuing monthly estimates of total unemployment for three or four years, made by our statistical staff.

The CHAIRMAN. We have placed in the record the statement of Mr. Biggers and on yesterday the committee heard Mr. Lubin, Mr. Persons, and Mr. Gill, of the Works Progress Administration, with reference to the number of the unemployed and the number upon the rolls of the W. P. A. I wish you would give to the committee the information gathered by your board with reference to unemployment at this time and certainly the changes during the year 1937.

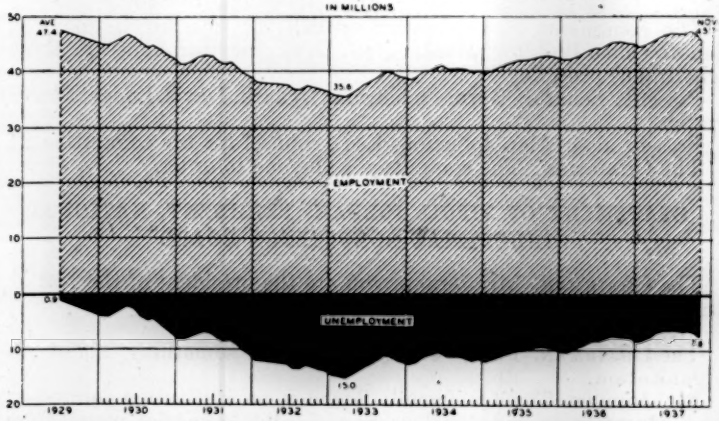
Mr. JORDAN. May I use this chart for this purpose?

The CHAIRMAN. Certainly.

Mr. JORDAN. This chart of employment and unemployment in the United States presents the Conference Board's estimate of the number of persons employed and unemployed in this country month by month since 1929. The estimates are made in a very simple way; that is,

the principle involved is simple. We first make estimates of the total working population of the United States or the labor force, as we call it—the number of people in the United States who might be supposed to be regularly employed in gainful occupations at any given time. Then, by use of all of the available indices of employment in the various occupations, we make estimates of the number of those people who are at work, actually employed at any given time. By subtracting the second estimate from the first estimate, we arrive at an estimate of the number whom we call unemployed. Strictly speaking, they are the number of our working population or labor force who are not accounted for in any of the available statistics of employment at any given time.

CHART 1. EMPLOYMENT AND UNEMPLOYMENT OF THE LABOR FORCE



That is the nearest we can come to defining the unemployed. We are not sure whether these people ought to be employed, whether they are employable, whether they want to be employed, or anything else about them. They are merely a statistical representation of the number or the portion of our working population or labor force in the United States who are not accounted for in any of the available estimates or statistics of employment in any of the known occupations in the United States.

The starting point for these statistical estimates was the census of occupations made on April 1, 1930, which ascertained by door-to-door count not only the number of gainfully occupied persons in the United States, but the number who were on that day reported as unemployed. That number was approximately 3,300,000 persons, according to the census of 1930.

Starting with that number and using the available indexes of employment in the various occupations, and taking into account the growth in the population and the proportion of the total population who would be gainfully occupied—that is, the new workers coming into the labor market for work—we constructed these estimates running up to November 1937. The figure that we issued on January 1 for the number of unemployed in November 1937 was 7,600,000. It accords very well

with the results of Mr. Biggers' count so far as any statistical estimates can be in accord with a national count.

The CHAIRMAN. Was the figure January 1, 1938?

Mr. JORDAN. Not the number of unemployed on January 1, 1938. We issued the estimate for November on January 1, 1938.

The CHAIRMAN. What was it supposed to indicate?

Mr. JORDAN. The number of unemployed during the month of November, not on any particular date during the month.

The CHAIRMAN. That is the month when Mr. Biggers' voluntary registration was taken?

Mr. JORDAN. Yes; and his figure was approximately 7,800,000 for the total who registered.

Well, that, according to the trend in this chart, is approximately half the number of unemployed at the beginning of 1933.

The CHAIRMAN. But, Mr. Jordan, while Mr. Biggers' voluntary registration showed that 7,800,000, I don't know if you recall he stated that the tests subsequently made by the census of certain districts caused him to make the estimate of more than 10 or about 11 million.

Mr. JORDAN. Yes; as I understand it, he said that, assuming that all of the people had not replied to the questionnaire, and judging on the basis of that test, the number ought to be increased by a certain percentage.

The CHAIRMAN. But your estimate of the total is 7,600,000.

Mr. JORDAN. Yes; this is, you understand, a statistical estimate, not based on a count or registration of any kind.

The CHAIRMAN. But I am interested in getting an idea of the accuracy of a statistical estimate as compared with a census or a registration—that was what I was anxious to know, how we could check the accuracy of this estimate with the registration and the estimate of Mr. Biggers.

Mr. JORDAN. Well, that would involve attempting to analyze and criticize the actual registration count, which I am not in a position to do.

The CHAIRMAN. Tell us what you base your figures on.

Mr. JORDAN. Our figures are based, first, upon an estimate of the total working population or labor force——

The CHAIRMAN. How do you arrive at that estimate?

Mr. JORDAN. On the basis of the figures collected by the United States Government in the census of occupations on April 1, 1930.

The CHAIRMAN. Well, now, proceed from there. You have taken the figure of April 1, 1930. What method do you follow in order to arrive at the estimate in 1937?

Mr. JORDAN. That census showed on April 1, 1930, a total number of gainfully occupied persons of 48.8 millions persons, of whom 3.3 millions registered themselves on that date as being unemployed. Using that as a starting point, we take all the available indexes of employment in manufacturing industries, transportation, all of the other named divisions of gainful occupations in the United States, and estimate the changes in employment from month to month in the United States.

The CHAIRMAN. Do you take the indexes of production?

Mr. JORDAN. No; the indexes of employment published by the United States Government, by the Bureau of Labor Statistics, for manufacturing industries, and other available information on agri-

culture, forestry, fishing, extraction of minerals, construction, transportation, public utilities, trade, distribution and finance, service industries, miscellaneous industries and services, and so forth.

The CHAIRMAN. Then, you base your figures on Government figures?

Mr. JORDAN. They are practically all Government figures. Of course, in the building industry, construction, we use some figures from the F. W. Dodge Corporation, and other such material. A detailed statement was furnished to the members of the committee showing the methods used in each field.

The CHAIRMAN. How do your monthly estimates of employment compare with those issued by the American Federation of Labor?

Mr. JORDAN. The American Federation of Labor has not yet issued any November estimate, so we are not in a position to compare them. For earlier months they ran higher than ours because of differences in the method of computation. The principal difference, as I recall, was that in taking the figures at the starting point, April 1, 1930, they used a larger estimate of the number of unemployed at that time, on the ground that the census of occupations at that time was an underenumeration of the unemployed. I think that view is more or less taken by Mr. Nathan, of the Department of Commerce, who, on the ground of underenumeration of unemployment in 1930, raised the figure of the unemployed, I think by about a million persons at that time. We have found no good justification for not taking actual figures of the United States census as of April 1, 1930.

Senator CLARK. That is the regular census you are referring to?

Mr. JORDAN. Yes, sir.

The CHAIRMAN. Doesn't a great deal depend upon the classification of the determination as to who is unemployed, who shall be included?

Mr. JORDAN. Yes; and we have side-stepped that very difficult question by merely subtracting from the working population the number we know were employed at any given time, and assume that the rest represented what we might call the unemployed, for whatever reason. That is the best any statistician can do by way of a statistical estimate of unemployment short of an actual count.

The CHAIRMAN. Go ahead, Mr. Jordan.

Mr. JORDAN. The course of employment and unemployment in the United States during this period is shown in this chart (chart 1) the upper part representing the employed population and the lower, the unemployed. In the middle of 1937, the number of employed in the United States had closely approximated the average number in 1929. Our figure for November was 45,600,000. The peak during 1937 was 47,000,000. The average employment in 1929 was 47,368,000, so that for a month or two, in the middle of 1937, we had actually restored practically the average employment of 1929. The unemployed were larger in number than in 1929, principally by reason of the increase in the working population. The population has grown and we estimate that approximately 5,000,000 have come into the labor market for work during the period since 1929.

If you add to the 5,000,000, which represents the growth of the working population, approximately two and a half million persons, who, we have good reason to believe, are out of work at any particular time during all periods because of illness, because of temporary shifts from one job to another, temporary plant suspensions, it pretty well accounts for the 7½ million unemployed during 1937. That is to say,

in effect, we seem to have reabsorbed the equivalent of those who were unemployed or who lost work during the depression, and our net unemployment at the present time represents the equivalent of the new workers that have come into the labor market since 1929 and the normal labor reserve of about two and a half million persons. I am not trying to explain why 7½ million persons are not working at any particular time. I am merely trying to give a statistical explanation of that figure.

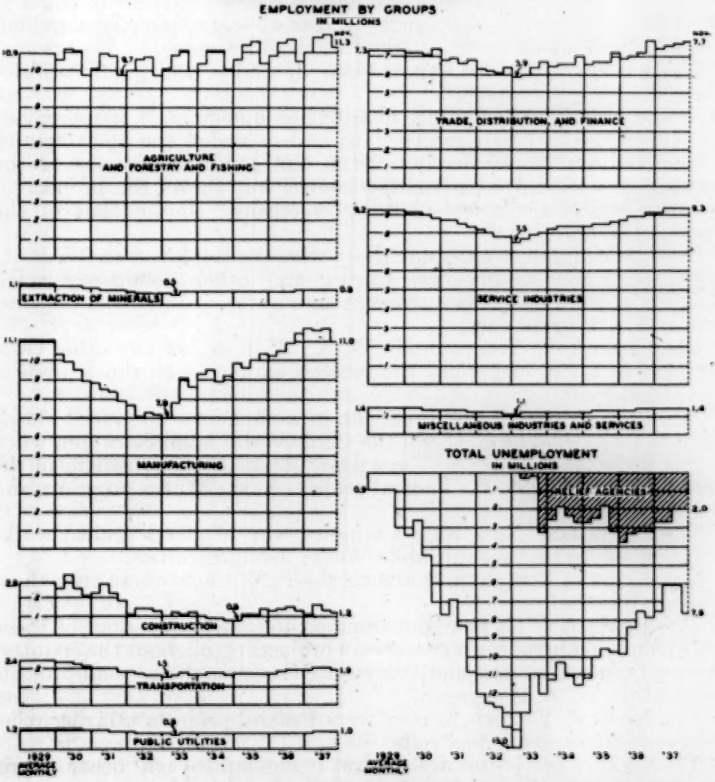
The CHAIRMAN. That is what we want at this time.

What is the other chart that you have? If there is anything that you desire to show from this chart, I wondered if you would care to do so while you are up there.

CHART 2.

EMPLOYMENT AND UNEMPLOYMENT

UNITED STATES, 1929-1937



THE COLUMNS FOR 1929 SHOW THE MONTHLY AVERAGE FOR THAT YEAR. THOSE FOR SUBSEQUENT YEARS REPRESENT THE MONTHS OF MARCH, JUNE, SEPTEMBER, AND DECEMBER OF EACH YEAR. THE HATCHED PORTION OF THE UNEMPLOYMENT CHART REPRESENTS THE NUMBER EMPLOYED BY FEDERAL GOVERNMENT RELIEF AGENCIES, (C.W.A., C.C.C., W.P.A., ETC.)

SOURCES: UNITED STATES BUREAU OF THE CENSUS; OTHER GOVERNMENTAL AND PRIVATE AGENCIES.

Mr. JORDAN. The second chart gives details of employment by the principal occupational groups. According to our method of making our estimate of unemployment, we are not able to estimate the number of unemployed persons by occupations. We can only estimate the number of employed persons by occupations. That is to say, we cannot break down the total of the unemployed into its component parts. We can only break down the total of the employed, because we compute our estimates from the statistics of employment in the main groups. These blocks show the estimates of employment in the main occupational groups, prepared by the Conference Board from 1929 up to date. In agricultural occupations, on the whole, there has been a rising employment, with seasonal fluctuations. In mining there has been a declining tendency in employment since 1929 over the whole period.

In the manufacturing industries employment by 1937 has returned practically to the 1929 level.

The construction field shows perhaps the largest decline in employment over the period since 1929—a loss of approximately a million and a half, or a million six hundred thousand persons.

The transportation field shows some loss also, and public utilities likewise.

In the broad field of trade, distribution and finance, employment by November 1937 had returned to and exceeded the 1929 figures.

This bottom block merely repeats the general estimates of the number of unemployed presented before, but shows the proportion of them which are represented by emergency employment of the Federal Government.

In these estimates, we count those who are employed on W. P. A. work, Civilian Conservation Corps, and other emergency work agencies of the Federal Government among the unemployed persons, just as Mr. Biggers does.

The CHAIRMAN. You count P. W. A., W. P. A., or any other Government activity, you count the persons employed on those projects as unemployed?

Mr. JORDAN. Yes; I will give you, in a moment, the precise classification we use. The C. C. C., the Civil Works Administration, when it was in force, the Federal Emergency Relief Administration, in the period 1934 and 1935, the Federal projects in the Works program, and the W. P. A.——

The CHAIRMAN. Now, wait a minute—your Federal project works program—does that mean Public Works Administration?

Mr. JORDAN. Yes, sir; but among the P. W. A. workers only those who are on relief rolls.

The CHAIRMAN. So you count among the unemployed all of those engaged upon any of the construction projects throughout the country, the roads, schoolhouses, and everything else, courthouses, all projects in which P. W. A. is engaged?

Mr. JORDAN. Yes; where they were Federal projects utilizing relief workers on emergency pay rolls.

The CHAIRMAN. I wonder if we understand each other there. P. W. A. was lending money to the States and local governments, of course, for these projects, and where you were counting in the State engaged in building a project, you did not count the workers as employed simply because the P. W. A. had contributed to the total amount spent for that project?

Mr. JORDAN. We merely use the figures made available by the Federal Government agencies of the number of persons employed on work in these various emergency relief divisions.

The CHAIRMAN. Then does that mean that your statistics include only workers in industry and not by the Government at all?

Mr. JORDAN. All of the regular Government employees are included among the employed, those that are in the executive division, the judicial, the Post Office, and military departments of the Government.

Senator CLARK. But they are all projects carried out with P. W. A. projects in the normal course of events at some time, which would be done by the Government, and P. W. A. did not employ any directly, simply loaned money to other divisions. Some of the people were taken out of other industries.

Mr. JORDAN. All we know is that in November 1937, for example, there was 7,600,000 persons that were not accounted for in any of the available statistics of employment in any private enterprise or in any regular departments of Federal, State, or local governments. We counted those as unemployed. Now, what portion of those can be ascribed to these various divisions of the Federal Government relief work is a question that is open to a great deal of statistical controversy because the Government's own figures of the number employed on W. P. A. from month to month are rather difficult to adjust satisfactorily.

The CHAIRMAN. Now, you start with 1930, the Government's figures. If the Government was constructing a building in the city of Washington in 1930, those men would have been counted as employed?

Mr. JORDAN. Yes; they would.

The CHAIRMAN. Now, as you leave the Capitol and you go down Pennsylvania Avenue, you find a building being constructed, but it is a P. W. A. project.

Mr. JORDAN. Yes, sir.

The CHAIRMAN. Now, the Government is constructing it, but you did not count those people as employed?

Mr. JORDAN. Correct, that is our procedure if these men continue to be relief workers. It is open to dispute. You might consider that the 2,100,000, approximately, employed in these relief agencies——

The CHAIRMAN. Of course, there is this: P. W. A. did use employees from relief rolls.

Mr. JORDAN. Yes, sir.

The CHAIRMAN. They were directed to do so to a certain percentage, so, to that extent, it would be in accord with your policy?

Mr. JORDAN. Yes.

The CHAIRMAN. That is, in the earlier days of P. W. A. they did not, but in more recent days they have been using a percentage of relief?

Mr. JORDAN. Mr. Biggers employed the same method in his estimate, you may recall.

The CHAIRMAN. As you have?

Mr. JORDAN. Yes, sir. Counted the 2,100,000, approximately, who returned the unemployment registration cards, and were employed in these relief divisions of the Federal Government, as unemployed.

The CHAIRMAN. All right. What is your other chart, now?

Mr. JORDAN. That is all I have in respect to these unemployment estimates.

The CHAIRMAN. Mr. Jordan, before you go any further, let me ask you this: With the discussion as to the manner in which estimates are arrived at, what, in your opinion, would be necessary for the Government to do in order to secure hereafter some accurate information as to the number of unemployed, and, in that connection, I want to ask what effect you think that the registration of men of the unemployed with the Social Security Board will have upon that problem?

Mr. JORDAN. I think it will require a combination of efforts. In the first place, the compilation of material available to the Social Security Board, with improved, more current statistical information made available from the employment service of the Federal Government. We ought to have employment agencies established by or supported in some measure by the Federal Government in every State.

The CHAIRMAN. Well, you, of course, are familiar with the employment service we now have?

Mr. JORDAN. Yes, sir.

The CHAIRMAN. How can that service be used to assist us in securing more accurate information?

Mr. JORDAN. I think it ought to make its information available more currently.

The CHAIRMAN. Well, we agree on that.

Mr. JORDAN. I think that also it might work in closer coordination with the local unemployment insurance authorities in the States in order to secure complete and prompt registration of all unemployed in the employment services.

The CHAIRMAN. Well, now, I have been very much interested in that particular feature. Our information is, however, that the man who seeks insurance benefits under the law must report to the employment service in order to prove that he is willing to work, and is not refusing to take employment. Otherwise, he cannot continue to draw his insurance benefits, so that will be done. But, assuming that provision is made for the immediate report by the employment service to the Social Security Board, and by the Board to employment services, would that give us an accurate estimate?

Mr. JORDAN. I think it would be a pretty good estimate; yes, sir.

The CHAIRMAN. Shouldn't it be more than an estimate? Shouldn't it be direct information?

Mr. JORDAN. Yes; I think it would be as nearly accurate as you could get it.

The CHAIRMAN. With the exception of those workers who are not covered by the unemployment insurance?

Mr. JORDAN. Yes; certainly.

The CHAIRMAN. How are we going about to secure information as to those who are not so covered? What would you suggest?

Mr. JORDAN. I have not any suggestion to make.

The CHAIRMAN. Go ahead.

Mr. JORDAN. That, Mr. Chairman, is all of the information that I have to offer with regard to the unemployment statistics of the Conference Board.

I am available for any questions that you may want to ask me.

The CHAIRMAN. Well, what, in your opinion, has caused the drop in the number of employed, the decrease in the number of employed in the last few months?

Mr. JORDAN. We have made no investigation of the causes of the business recession, Mr. Chairman, as yet.

The CHAIRMAN. All right, thank you.

STATEMENT OF ARTHUR J. ALTMEYER, CHAIRMAN, SOCIAL SECURITY BOARD

Mr. Altmeyer, you are chairman of the Social Security Board?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. I wonder if you will first give to the committee a brief statement of the work of the Board, the system under which you are operating, and the benefits that are paid by the Board for various causes?

Mr. ALTMEYER. As you know, Senator, the Social Security Act is administered by four different Government agencies. The Social Security Board itself administers three types of public-assistance provisions—that is, old-age assistance, blind assistance, and aid to dependent children. It administers the unemployment compensation sections, and it administers the old-age insurance sections. The only titles of the Social Security Act which are wholly federally administered is the Federal old-age insurance titles. All of the other titles are administered by the States, and financed in part by the Federal Government or encouraged in part by the Federal Government.

The CHAIRMAN. Well, Mr. Altmeyer, I did not make clear what I wanted—what information I wanted you to give us. I want to ask you to discuss the function of the Board with reference to unemployment insurance, but either before doing that, or after you are through, I want you to state the total amount that will this year be spent by the Board for the various forms of relief and assistance to which you have referred. If you have those figures and will give to us the total amount spent either for old-age assistance or assistance to the blind and to others, I would like to have that first.

Mr. ALTMEYER. With reference to the three types of public assistance that I have mentioned, there are, we estimate, in this month of January 1938, over 1,600,000 aged persons receiving old-age assistance in the 50 jurisdictions that have old-age assistance laws. We estimate that there are over 530,000 dependent children receiving aid under the laws of 40 States that have aid-to-dependent-children laws. We estimate that there are 46,000 blind persons receiving aid under 39 State laws. The total amounts paid to those three types of persons aggregate, approximately, $39,000,000 a month, which is at the rate of about a half billion dollars a year. It probably will not equal a half billion dollars this year, because of the fact that these persons are still coming on the rolls. However, between four hundred and five hundred million dollars will be expended during this present fiscal year for these three types of public assistance.

The CHAIRMAN. By the Federal and the State Governments?

Mr. ALTMEYER. Yes, sir.

Senator LODGE. With the States doing the disbursing?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Now, with that statement as to the amount, let us go to the unemployment insurance.

Senator LODGE. Mr. Chairman, does that give the complete picture? We have the old-age insurance to go into, too, haven't we?

Mr. ALTMEYER. I will be glad to make a statement on that.

The CHAIRMAN. I wanted the total amount that was being paid, and I thought you were including in all between four and five hundred million. Is that right?

Mr. ALTMEYER. That is right.

OLD-AGE INSURANCE SYSTEM

Senator LODGE. How about the old-age insurance?

Mr. ALTMEYER. As you know, the Federal old-age insurance system does not get under way until 1942, as far as monthly payments of annuities are concerned. There are lump sums being paid to persons who reach 65 before that time, and to the survivors and estates of persons who die before that time, but that would amount to probably $5,000,000 during the current fiscal year.

The CHAIRMAN. The amount paid to those reaching the age of 65 and to the estates of persons who die before that time would not amount to more than $5,000,000?

Mr. ALTMEYER. That would be my estimate.

Senator LODGE. Is that the only payment being made by the Government direct to the individual?

Mr. ALTMEYER. That is under the Federal old-age insurance; yes.

Senator LODGE. Under the Social Security Act, am I right; is that the only payment the Federal Government makes direct to the individual?

Mr. ALTMEYER. That is right, because it is the only part of the Social Security Act that is wholly federally administered.

The CHAIRMAN. The others are paid through the State offices?

Mr. ALTMEYER. That's right.

UNEMPLOYMENT COMPENSATION SYSTEM

The CHAIRMAN. Now, go ahead with your statement as to the unemployment compensation.

Mr. ALTMEYER. It is my understanding that you wish me to discuss at this time only the operation of the unemployment-compensation system that is just getting under way in this country, and particularly how the operation of that system may help meet the need arising out of the immediate unemployment situation that is confronting us.

I should like to emphasize at the outset the distinction between unemployment compensation on the one hand and general relief, public assistance, C. C. C., and W. P. A. on the other hand. Unemployment compensation is paid to an eligible employee as a matter of right and on the basis of his past earnings. These other types of payments are made not as a matter of right but on the basis of need, and are not related to the recipient's past earnings.

In the case of unemployment compensation, payment is made out of a fund accumulated through a tax on pay rolls which is paid by employers and, in a few States, by employees as well.

If you wish to interrupt me, Senator, at any point, I will be glad to stop.

The CHAIRMAN. I think it is better for you to go on with your statement.

Mr. ALTMEYER. These other types of payments that I have mentioned are of course paid out of general funds raised by general

taxation or borrowing. In other words, unemployment compensation is a form of social insurance analogous to accident compensation in that (1) payment is made to the worker as a matter of right, and (2) both the benefits and the cost are related to the pay roll.

WISCONSIN SYSTEM

Until the social-security bill was introduced in Congress, only one State had an unemployment compensation act—namely, Wisconsin. Since then all other States and Territories have adopted unemployment compensation acts. It is true that unemployment compensation bills had been introduced into various State legislatures during the preceding 15 years. However, individual States were deterred from taking action because of the fear that their employers would be placed at a competitive disadvantage as compared with employers in other States without unemployment compensation laws.

As you know, title IX of the Social Security Act levies a uniform pay-roll tax against which an employer may offset payments he has made into an approved State unemployment compensation fund up to 90 percent of the Federal tax. This placed employers in all States in the same competitive position regardless of whether the States in which they operate passed unemployment-compensation laws. The result was, as I have stated, that all States passed such laws. Benefits have been payable in Wisconsin since July 1, 1936. In 27 other States and the District of Columbia unemployed workers commenced to file claims for benefits on January 1 of this year. By July 1, 1939, benefits will be payable in all the States.

The great virtue of a system of unemployment compensation is that once it gets fully under way it can function rather automatically and instantaneously not only to compensate for the intermittent unemployment to which workers are always subject but also to cushion the first shock of increased unemployment due to a business recession such as we are now experiencing. The reason is that funds are built up when employment is on the upgrade that are immediately available for payment of benefits. We estimate that if the system had been in effect during the period 1922 through 1929, the total annual benefit payments would have ranged from $375,000,000 to $1,700,000,000. The average annual amount would have been $500,000,000. However, the reserve accumulated would probably not have carried us beyond 1931.

I think I should point out the limitations of unemployment compensation so far as solving the unemployment relief problem is concerned, even when unemployment compensation is in full operation.

"HARD CORE" OF UNEMPLOYMENT

First of all there is what the British call the "hard core" of unemployment, which consists of workers who are chronically unemployed and rather permanently unemployed, due chiefly to technological changes and market changes. Unemployment compensation cannot help them because they soon exhaust their benefit rights or perhaps never develop any benefit rights.

Second, unemployment compensation can only protect wage and salary earners. It cannot protect the farm owner, the small business man, or the self employed professional man.

Third, large groups of wage and salary earners, such as farm laborers, domestic servants, and employees of small establishments are usually excluded from coverage.

Fourth, the benefits are limited both as to amount and duration.

For all of these reasons, unemployment compensation can never be more than a first line of defense, even when the system is in full operation. In normal times, even with the present restricted benefits, unemployment compensation will probably compensate for two-thirds of the unemployment suffered by covered workers. But in a period such as 1932, this proportion might drop as low as one-third.

At the inauguration of a system of unemployment compensation there are special limitations on the efficacy of a system of unemployment compensation that should be kept in mind. The 23 jurisdictions in which benefit rights are now accruing cover about 60 percent of all the workers who will be covered when all jurisdictions are paying benefits. The unemployed workers who have been covered will be subject to a waiting period for which benefits are not payable. This waiting period varies from 2 to 4 weeks which did not start until January 1 of this year (except in the case of Wisconsin). Because the amount of benefits is related to past earnings, those workers now unemployed who also had considerable unemployment during 1937 will have acquired very small benefit rights in most cases and no rights at all in many cases.

AMENDMENT TO SOCIAL SECURITY ACT

There has been some discussion of the feasibility of commencing payment of benefits sooner in the remaining jurisdictions. The Social Security Board recommends that the Social Security Act be amended so that States that wish to advance the date after which benefits will be payable may do so. However, the Board is of the opinion that at least 6 additional months are necessary after specific administrative plans are developed, for a State to recruit and train personnel, rent office space, and purchase equipment. Great care should be exercised in getting started right, so that payments may be made promptly and accurately. The British took a decade to develop their coverage from 2,500,000 workers to 12,000,000 which is about the coverage in the States which are now beginning to pay benefits.

If unemployment compensation is to succeed it must be looked upon as a permanent insurance system rather than a temporary relief measure. It cannot meet any considerable portion of the need during the early months. However, if the present amount of unemployment continues throughout 1938, it is probable that before the year is out in the neighborhood of $225,000,000 will have been paid out in unemployment compensation benefits. Even with some increase in unemployment the unemployment trust funds of the various States ought to be adequate to cover all withdrawals.

The CHAIRMAN. Now, we will see. As to the 23 States, you are covering 56 percent of the workers. The other States by taxes have contributed to the funds. The amount paid by each State has been credited to that State in the Treasury.

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. They will be unable to pay insurance benefits because, first, of the provision in the Social Security Act which you recommend should be amended. The principal amendment is that

reducing from 2 years to 1 year the time in which such payments can be made. Is that right?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. The clause is:

> No compensation shall be payable with respect to any day of unemployment occurring within 1 year after the first day of the first period with respect to which contributions are required.

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. If that is made 1 year instead of 2 years as the law now provides, then, so far as the Federal Government is concerned, they will be in a position to pay benefits at an earlier date?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. But, something more than that is required. The State law has provided for such payments at a subsequent date, has it not?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. And the only way in which we can provide for earlier payment is for the States to amend their law. Is that correct?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Now, as to the feasibility of it, you think that it would require 6 months in which to prepare for it?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. You have, in the 23 States, organizations established to guide the organizations in the other States?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. With that situation, I will say this. You say, "To rent offices." Haven't we got in the various States offices now provided for the State organizations that are to handle unemployment insurance as well as the other features of the social security law?

Mr. ALTMEYER. Of course, all the laws of the States provide for the payment of benefits through the local public employment offices.

The CHAIRMAN. Right.

Mr. ALTMEYER. Most of these offices, as you know, are part of the National Reemployment Service, which is a temporary organization, and which is occupying borrowed quarters, and substandard quarters generally. However, the rental of additional office space would not be a great limitation.

The CHAIRMAN. I cannot agree that it would take 6 months for a State to put itself in a position to make these payments. The payments couldn't be made for what length of time after the filing by the employer of the statement of his unemployment? How many weeks would that take?

Mr. ALTMEYER. As I say, there is a waiting period of 2 to 4 weeks.

The CHAIRMAN. Two to four weeks?

Mr. ALTMEYER. Then, after that, the worker must serve, of course, a week of unemployment.

The CHAIRMAN. Yes.

Mr. ALTMEYER. So it would come into the fourth or fifth week that you would actually draw a check to the credit of the unemployed worker.

The CHAIRMAN. Now, those States have funds to their credit. The workers who are out of employment are just as much entitled to benefits in those States as in the 23 States where they are now going to receive them. If we amend this act of Congress, if the workers do not

receive the benefits of this unemployment insurance, it will be due to the failure of the State legislatures to correct it. Is that right?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. So far as you are concerned, you have no objection to the States going ahead at the earliest possible date.

Mr. ALTMEYER. No, sir; we will be glad to work with them to that end.

The CHAIRMAN. To the extent that those benefits are paid within the next few months, to that extent you would lessen the draft upon the Treasury for relief and assistance, wouldn't you?

Mr. ALTMEYER. Not in the same proportion, for the reason that I stated, that these benefits are payable as a matter of right.

The CHAIRMAN. But, payable as a matter of right, I am going to get one-half, say, of my wage, as a matter of right, but, if I get that one-half as a matter of right, it thereby lessens my demand upon the relief rolls of that money as a matter of need.

Mr. ALTMEYER. Yes, but it does not lessen it dollar for dollar, for the reason that probably at least half of the unemployed workers who would be entitled to benefits would not be eligible for assistance on a needs basis.

The CHAIRMAN. No, I agree with you there. They could not qualify. But, to some extent, it would.

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Now, the total amount in this fund paid, according to the figures presented to me today by counsel for the committee, is $509,521,714.85. Have you got the figures?

Mr. ALTMEYER. Those are earlier figures than I have.

The CHAIRMAN. This is October——

Mr. ALTMEYER. I estimate that at the present time they are $670,000,000.

The CHAIRMAN. To the credit of the States in this fund?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. If that $670,000,000 was available, it would provide a fund at this time, wouldn't it?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Have you submitted to the chairman of the Finance Committee a proposal for the amendment of the Social Security Act?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Have you done anything about advising the States of your recommendation that the law be amended so that they can consider amending their own statutes?

Mr. ALTMEYER. The Board conferred at length with a committee of State administrators officially representing the Interstate Conference of Unemployment Compensation Agencies upon the subject of proposed amendments to title IX of the Social Security Act. Thereafter, a detailed explanation of all such proposed amendments was sent to each of the State unemployment-compensation agencies.

STATE TAX LEVIES ON EMPLOYEES

The CHAIRMAN. I want to know now, of the States—those States that levy a tax upon employees—have you got that information?

Mr. ALTMEYER. Yes, sir; there are seven of those States, as I recall. Do you want the names?

The CHAIRMAN. Yes, sir.
Mr. ALTMEYER. They are Alabama——
Mr. JOHNSTONE. Will you call the percentage as you go along?
Mr. ALTMEYER. Alabama, 1 percent in 1938.
Mr. JOHNSTONE. On employees?
Mr. ALTMEYER. Yes, sir.
Senator DAVIS. How much on the employers?
Mr. ALTMEYER. It would be 2.7 percent in order to get full credit for the off-set on the Federal tax.
Mr. JOHNSTONE. That is what it is.
Mr. ALTMEYER. California, 1 percent in 1938—I will just give you the 1938 figures?
The CHAIRMAN. Yes, sir.
Mr. ALTMEYER. California, 1 percent.
The CHAIRMAN. Yes.
Mr. ALTMEYER. Indiana and Idaho, have no employee tax in 1938, but did levy such a tax in 1937.
The CHAIRMAN. Yes.
Mr. ALTMEYER. Kentucky, 1 percent.
The CHAIRMAN. Yes.
Mr. ALTMEYER. Louisiana, five-tenths of 1 percent.
The CHAIRMAN. Yes.
Mr. ALTMEYER. Massachusetts, 1 percent. New Jersey, 1 percent, and Rhode Island, 1½ percent.
The CHAIRMAN. Now, you named two States. Do you mean that those States in their original acts provided for a tax upon employees and have since repealed them?
Mr. ALTMEYER. Yes, sir.
The CHAIRMAN. Has that occurred in any State other than in those two since this program?
Mr. ALTMEYER. New Hampshire.
The CHAIRMAN. So the tendency is to remove the tax upon employees?
Mr. ALTMEYER. Yes, sir.
The CHAIRMAN. What is your opinion when the tax is levied upon the employer, is it levied upon the compensation of the employees in any event?
Mr. ALTMEYER. That depends on several factors. It depends upon the employer and his competitive position. It depends upon the degree of collective bargaining, and it depends upon the kind of product the employer manufactures.
The CHAIRMAN. All right, we will go back to the figures here. What is the average weekly benefit now in these States?
Mr. ALTMEYER. It varies from a minimum of usually $5 to a maximum of usually $15.
The CHAIRMAN. Let's get that. $5——
Mr. ALTMEYER. Yes, sir.
The CHAIRMAN. To a maximum of what?
Mr. ALTMEYER. Usually $15, being calculated at the rate of 50 percent of the average weekly wage, but not to exceed $15 per week. There are two States, I believe, that pay more than $15 a week.
The CHAIRMAN. What States?
Mr. ALTMEYER. Michigan pays $16 and Wyoming $18.

The CHAIRMAN. How do these base the benefits? Is it proportionate to the rate of employment over a certain period?

Mr. ALTMEYER. Yes; in two ways. A man must have had a minimum amount of employment or earnings, usually during 1937, if it is for unemployment in 1938, in order to qualify for any benefits. The amount of benefits to which he is entitled, which is also related to the earnings, is usually one-sixth of the earnings during the stated period of time.

The CHAIRMAN. Could you put into the record, if you do not have it available, the approximate number of workers covered in each of the 23 States?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Have you got it there?

Mr. ALTMEYER. Yes, sir.

(The information requested is as follows:)

Date benefits first payable and estimated coverage under State unemployment compensation laws

States	Date benefits begin	Number of covered workers as of June 1937
Total, 51 jurisdictions		20,919,000
A. Prior to 1938: 1. Wisconsin	July 1936	411,000
B. During 1938:		
1. Alabama	January 1938	277,000
2. Arizona		69,000
3. California		1,216,000
4. Connecticut		408,000
5. District of Columbia		131,000
6. Louisiana		213,000
7. Maine		132,000
8. Maryland		295,000
9. Massachusetts		851,000
10. Minnesota		395,000
11. New Hampshire		93,000
12. New York		2,646,000
13. North Carolina		370,000
14. Oregon		146,000
15. Pennsylvania		2,404,000
16. Rhode Island		169,000
17. Tennessee		296,000
18. Texas		708,000
19. Utah		68,000
20. Vermont		44,000
21. Virginia		315,000
22. West Virginia		315,000
23 States		11,972,000
23. Indiana	April 1938	547,000
24. Mississippi	do	99,000
25. Iowa	July 1938	284,000
26. Michigan	do	1,214,000
27. South Carolina	do	178,000
28. Idaho	September 1938	46,000
29. New Mexico	December 1938	46,000
30. Oklahoma	do	257,000
31 States		14,623,000

Date benefits first payable and estimated coverage under State unemployment compensation laws—Continued

States	Date benefits begin	Number of covered workers as of June 1937
C. During 1939:		
1. Alaska	January 1939	27,000
2. Arkansas		139,000
3. Colorado		118,000
4. Delaware		47,000
5. Florida		179,000
6. Hawaii		72,000
7. Kansas		210,000
8. Kentucky		291,000
9. Missouri		530,000
10. Nebraska		110,000
11. Nevada		24,000
12. New Jersey		922,000
13. North Dakota		42,000
14. Ohio		1,391,000
15. South Dakota		44,000
16. Washington		248,000
17. Wyoming		38,000
18. Georgia	July 1939	308,000
19. Illinois	do	1,490,000
20. Montana	do	66,000

The CHAIRMAN. And then the approximate number in the States not starting until a later period.

Now, as to those who are covered, when they are unemployed, are they eligible to apply for jobs on W. P. A., and if they do secure jobs on Works Progress, does it affect the benefits they receive?

Mr. ALTMEYER. It does. As I understand it, W. P. A. would not consider them qualified for admittance to the rolls of the W. P. A. if they were eligible for unemployment compensation benefits.

The CHAIRMAN. Because of inability to prove need? Is that it?

Mr. ALTMEYER. Yes. Do you want me to state what the effect would be on unemployment compensation if a man took a W. P. A. job?

The CHAIRMAN. Yes.

Mr. ALTMEYER. If a person was entitled to unemployment compensation benefits, and took a W. P. A. job, he would sacrifice his rights under unemployment compensation because the laws of the various States provide that he cannot count the weeks that he is working for W. P. A. as part of the waiting period for total unemployment and furthermore, after the waiting period, even if it were counted, he couldn't receive benefits except possibly for partial unemployment and only in proportion to what his partial wage loss might be as related to his previous wages and period of employment.

The CHAIRMAN. I see. Now, the man who is receiving benefits, must report to the Employment Service from time to time to show that he continues to be unemployed. How often must he report?

Mr. ALTMEYER. It is usually once a week that he must report.

The CHAIRMAN. Now, about your reserves. You stated that in 1 year that from 1922 to 1929, that 1 year you thought that had it been in operation, the benefits would have amounted to as high as $1,700,000,000.

Mr. ALTMEYER. Yes.

The CHAIRMAN. What year?

Mr. ALTMEYER. I don't have the figures here. I just got the summary.

The CHAIRMAN. But it would range from $375,000,000 to $1,700,000,000?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. I do not recall what years in that period from 1922 to 1929 differed so greatly in conditions as to bring that about, that is why I wish you would put the years into the record.

Mr. ALTMEYER. All right, sir.

(The information requested is as follows:)

Unemployment compensation benefits payable in United States, 1922–31

1922	$630, 000, 000	1927	$557, 000, 000
1923	401, 000, 000	1928	561, 000, 000
1924	569, 000, 000	1929	375, 000, 000
1925	468, 000, 000	1930	864, 000, 000
1926	467, 000, 000	1931	1, 750, 000, 000

The CHAIRMAN. And you said, in your opinion, it would have been exhausted in 1931?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. What do you mean by that?

Mr. ALTMEYER. Well, as a major depression deepens and continues, the duration of unemployment of workers increases. The turn-over, in other words, among the unemployed decreases so that more workers for a longer length of time draw benefits as the depression continues.

The CHAIRMAN. Well, now, if you fear that that would have happened during the period from 1922 to 1929, have you any fear that if the recession continues for any length of time in 1938, in view of the fact that we have been accumulating this reserve for only a short time, that some States will exhaust their reserve?

Mr. ALTMEYER. Of course, we have the advantage that we have 2 years of past collections and also the current collections during this year.

The CHAIRMAN. You have 2 years of collections during which period there has been no withdrawal?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. That puts us in a much better position?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Now, no State can draw in excess of its reserve fund. Is that right?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. If a State does exhaust its reserve fund it means it will stop its benefits?

Mr. ALTMEYER. Yes, sir, unless it increases its tax rate to cover current withdrawals.

The CHAIRMAN. What recourse do covered workers have who become unemployed before the benefits become payable?

Mr. ALTMEYER. W. P. A. and general relief.

The CHAIRMAN. Let me ask you this, is the country sufficiently well covered by local employment offices to permit personal application for work, or must he communicate with the office by mail?

Mr. ALTMEYER. Two things are true. During this rush, during the first few weeks these States are getting started, one or two of them have permitted registration by mail, during this emergency period, so that large crowds will not swamp the local employment offices.

The CHAIRMAN. What States have done that?

Mr. ALTMEYER. New York is one. I do not recall what other ones there are, if any.

The CHAIRMAN. To whom does he mail that notice?

Mr. ALTMEYER. He mails it to the central office of the New York agency.

The CHAIRMAN. In other words, a man in one of the counties up in New York State who is unemployed must mail his notice to the central office?

Mr. ALTMEYER. I think it is the central office, because that is where the records are kept. They would immediately refer it back to the local office. The central office has two cards, and one goes to the local office.

The CHAIRMAN. One goes to the local office?

Mr. ALTMEYER. Yes.

Senator LODGE. Isn't it true that in England they have local employment offices and the worker does not have to go more than 10 or 15 miles; or what is the figure?

Mr. ALTMEYER. As I recall, they have about 723 full-time offices and about 865 part-time offices, and I would imagine that a man would be within 15 miles of one of those types of offices. Of course, Great Britain is a country of small size.

The CHAIRMAN. I know. It is different, because of the size, than this country. What delay will occur as a result of the worker having to notify the State office, and then having his record checked? Will they be able to function so as to enable that man to receive his unemployment benefit at the time he is entitled to it?

Mr. ALTMEYER. He would have to serve 1 week of full employment after the waiting period before you could even undertake to calculate his benefit, because you would not know whether he was going to be unemployed for the whole week, and if so, how much. Then the necessary payments have to be made out independently in most States, and sent to the central office, because the records are kept centrally. It would not be until the end of the week, after the first week of unemployment after the waiting period, that you could possibly write the check.

The CHAIRMAN. Let me revert to a question: If a man, entitled to benefits, gets a job with the W. P. A., and because of the wages paid, takes it, how does it affect his credit for unemployment benefits in the future? Does it affect him in any way except for the time he is actually employed on the W. P. A. projects?

Mr. ALTMEYER. The benefit rights of the worker would merely be suspended during the time he was on the W. P. A., but if such work were for a long period of time such a worker might eventually lose his benefit credits.

The CHAIRMAN. They consider that employment on the W. P. A. is just the same as employment in a private industry?

Mr. ALTMEYER. Yes. The State laws provide that a worker is not unemployed if he is performing any services—regardless of whether such services are in covered employment or not.

The CHAIRMAN. We have been discussing with Mr. Persons the manner in which the central office decides on the unemployment out in the field. When a man reports to the Social Security Board, he must, at the same time, report to the employment service?

Mr. ALTMEYER. You mean if he reports to the State unemployment compensation authority, he must——

The CHAIRMAN. Yes.

Mr. ALTMEYER. Yes; he does that. He reports at the local employment office, and the same man who helps him make out his application or helps him to fill out his registration card for a job, helps him to make out his application for unemployment compensation.

The CHAIRMAN. I was just interested in it from the standpoint of reorganization of the Government; who is that man working for in the State? He is working for the State organization?

Mr. ALTMEYER. Yes.

The CHAIRMAN. He advises you, then——

Mr. ALTMEYER. Not us. The State organization for which he is working.

The CHAIRMAN. He advises the State organization?

Mr. ALTMEYER. Yes.

The CHAIRMAN. As to the claim of that man for insurance payments?

Mr. ALTMEYER. Yes.

The CHAIRMAN. And then he advises the employment service?

Mr. ALTMEYER. Yes.

The CHAIRMAN. And the employment service notifies the Employment Service here in the Labor Department, in due time, of the number unemployed?

Mr. ALTMEYER. Yes.

The CHAIRMAN. And you get no information as to the number who are seeking benefits from the State?

Mr. ALTMEYER. Yes; we get telegraphic information.

The CHAIRMAN. You get telegraphic information?

Mr. ALTMEYER. Yes.

Senator CLARK. How often do you get that?

Mr. ALTMEYER. We get that every day now.

The CHAIRMAN. You get telegraphic information every day as to the persons applying at the employment service. That individual in that office of the State performs the two services. Is that right?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. The administration of that office is paid for entirely by the Federal Government, is it not?

Mr. ALTMEYER. No; part of it is paid under the Wagner-Peyser Act.

The CHAIRMAN. I mean the special cost of administering the Unemployment Insurance Act, as far as you are concerned.

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. Is that man employed by you and paid out of the funds appropriated by the Federal Government?

Mr. ALTMEYER. He is not employed by us at all. He is employed by the State agency.

The CHAIRMAN. Is he paid by you?

Mr. ALTMEYER. He is paid out of funds which we grant to the State agency.

The CHAIRMAN. You grant to the States enough money to employ the personnel to administer that unemployment insurance benefit?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. And that man then advises the employment service?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. And the Labor Department plays no part in that?

Mr. ALTMEYER. Not the unemployment compensation.

The CHAIRMAN. Do they pay anything to that man at all?

Mr. ALTMEYER. Yes.

The CHAIRMAN. He does not draw two salaries, does he?

Mr. ALTMEYER. It goes into a common fund. We require, as a condition, that the States shall match the Wagner-Peyser funds to furnish a rudimentary employment service. That, as we understand it, is the purpose of the Wagner-Peyser Act. Then for the expanded employment service necessary to take care of the insured workers, help find jobs for them, and help them with their claims, we grant additional funds on a full 100-percent basis, and not on a matching basis.

The CHAIRMAN. The unemployment-insurance benefits are being paid to individuals. Would it be possible for one department of the Government to be paying the employment benefits and to be charged with the duty of trying to find a job for that man?

Mr. ALTMEYER. I think our Bureau of Unemployment Compensation and the United States Employment Service ought to be together.

The CHAIRMAN. I cannot see how there would be any other result if it is going to be successfully administered.

Senator CLARK. Do you have any idea how much the cost of this service of reporting to you daily would amount to?

Mr. ALTMEYER. We are just getting total figures. It would not cost more than the telegrams.

Senator CLARK. Telegraph tolls?

Mr. ALTMEYER. Yes; and the Government gets a good rate on that.

The CHAIRMAN. The information is in the local office and can be transmitted by wire?

Mr. ALTMEYER. Yes.

Senator CLARK. It is the same thing as registration and reporting, in the Army; when they close out the day's business they wire into the central office how many applications they had that day and make a consolidated report to you?

Mr. ALTMEYER. Yes, sir.

The CHAIRMAN. What control, if any, has your Board over the selection of personnel in the operation of unemployment offices in the State?

Mr. ALTMEYER. There is a provision in the Social Security Act, as you know, under title III, which is the title under which we make grants for the administration of the State law, which requires as one of the conditions of the grant that the State law shall include provisions for "such methods of administration—other than those relating to selection, tenure of office, and compensation of personnel—as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due."

The CHAIRMAN. All that you can do is to pay the bill, then?

Mr. ALTMEYER. We interpret that to be an admonition from Congress that we shall have nothing to say about the selection of individual persons.

The CHAIRMAN. You have nothing to do with the question of whether they are selected by the merit system or by any other system?

Mr. ALTMEYER. We do take this position, that the general language of the law indicates that a systematic objective method of selection of personnel should be utilized by the State agency.

The CHAIRMAN. You think that the law should be amended so as to have the Board, at least, approve the system by which they are selected?

Mr. ALTMEYER. Yes; I think so.

The CHAIRMAN. You have no check on that now, at all?

Mr. ALTMEYER. Except the general requirements, which we interpret to mean that they should adopt some objective standards for selection of the personnel—reasonably objective standards.

Senator DAVIS. It was necessary for Senator Murray to go to the Supreme Court on very important business, and he requested me to ask you this: Must the worker wait for a period of several weeks before benefits can be paid; and how long a delay is necessary under the British system?

Mr. ALTMEYER. The British system has a waiting period of 3 days. Roughly, I would say that most times it means that the worker must wait about 10 days before he receives his first payment.

Senator DAVIS. If unemployment during the next 10 years will be about the same as from 1920 to 1930, how many of these State unemployment funds will be solvent under the present system, that is, without an increase of rates?

Mr. ALTMEYER. I could not give you the figures offhand. It may be that some of them would have been insolvent during these minor depressions that occurred during the period 1920 to 1930.

Senator DAVIS. Is there any way that we could get that information, or get your opinion, in order that it might be inserted into the record at this point?

Mr. ALTMEYER. Yes. We will be glad to do it.

(The information requested is as follows:)

PROBABLE STATUS OF THE UNEMPLOYMENT COMPENSATION RESERVE FUNDS OF INDIVIDUAL STATES DURING THE PERIOD OF EMPLOYMENT SIMILAR TO THAT OF 1922–29

The period from 1922 to 1929 was lacking in severe cyclical fluctuations. Because of this fact it is unlikely that any of the State unemployment compensation reserve funds would have become insolvent during the period. With existing contribution rates there would be an accumulation in the reserve fund equivalent in most States to the amount of contributions collected over several years.

However, by the end of 1931, most all of the State funds would have become insolvent. Insolvency would have occurred first in those States in which the following factors were prominent:

(*a*) Where there was little or no diversification of industries.

(*b*) Where seasonal fluctuations were substantial.

The few States in which the funds would not be insolvent would be these States in which there was a wide diversification of industries, and a relatively small amount of seasonal fluctuations.

Financial condition of the unemployment reserve fund for all States for the period 1920–31

Year	Contributions	Benefit payments	Cumulated contributions	Cumulated benefit payments	Balance in reserve fund
1920	$176,000,000		$176,000,000		$171,000,000
1921	279,000,000		455,000,000		455,000,000
1922	490,000,000	$630,000,000	945,000,000	$630,000,000	315,000,000
1923	586,000,000	401,000,000	1,531,000,000	1,031,000,000	500,000,000
1924	605,000,000	569,000,000	2,136,000,000	1,600,000,000	536,000,000
1925	635,000,000	468,000,000	2,771,000,000	2,068,000,000	703,000,000
1926	681,000,000	467,000,000	3,452,000,000	2,535,000,000	917,000,000
1927	698,000,000	557,000,000	4,150,000,000	3,092,000,000	1,058,000,000
1928	702,000,000	561,000,000	4,852,000,000	3,653,000,000	1,199,000,000
1929	767,000,000	375,000,000	5,619,000,000	4,028,000,000	1,591,000,000
1930	636,000,000	864,000,000	6,255,000,000	4,892,000,000	1,363,000,000
1931	511,000,000	1,750,000,000	6,766,000,000	6,642,000,000	124,000,000

Senator LODGE. How many people do you think will be receiving old-age insurance when it really gets under way, roughly?

Mr. ALTMEYER. You are speaking of these monthly payments, I take it?

Senator LODGE. Not old-age assistance.

Mr. ALTMEYER. You are speaking of monthly payments under old-age insurance?

Senator LODGE. Yes.

Mr. ALTMEYER. In 1942, the first year in which monthly payments are payable, there will be 175,000. That will increase to 343,000 for the next year, 537,000 the next year, 681,000 the next year, 934,000 the next year, and will finally reach a peak of approximately 6,000,000.

Senator LODGE. Six million?

Mr. ALTMEYER. Yes.

Senator LODGE. Will these other categories increase, also—that is, the aged persons receiving old-age assistance, dependent children, and blind persons?

Mr. ALTMEYER. The old-age assistance is showing a tendency to level off. It will continue to increase somewhat, particularly before the old-age-insurance system gets into full operation, but after that it should decline.

Senator LODGE. So that three-fourths of the persons who will benefit by the Social Security Act will come under the heading of old-age insurance when the thing gets going?

Mr. ALTMEYER. As contrasted with State old-age assistance.

Senator LODGE. You have about 6,000,000 people receiving old-age insurance and you have something over 2,000,000 receiving old-age assistance, dependent-children and blind-persons benefits.

Mr. ALTMEYER. But, you see, the number of persons receiving old-age assistance will decline as the number of persons receiving old-age insurance increases.

Senator LODGE. There is one more question I would like to ask—it is a rather big subject, but if you have any thought on it, and care to give us your opinion, I would like to hear it very much: What is the objection to having payments under old-age insurance made by the State agencies, just the same as under the old-age assistance, dependent children, and blind persons, having the Federal Government act as the collecting agency?

Mr. ALTMEYER. The situation is this: This is an insurance system which is based upon actuarial calculations extending over a working lifetime of 45 to 50 years, and the movement of population between the States is so great that you could not possibly make actuarial calculations on a State basis that would be valid. Even the calculations that we make on a Nation-wide basis are subject to a wide margin of error; I would say at least a 50-percent margin of error, because of the many unknowns which we have tried to take into consideration.

The CHAIRMAN. Thank you very much.

(Witness excused.)

The CHAIRMAN. Mr. Raushenbush, the committee has decided, since the Senate meets at 12 o'clock, to take a recess until 2 o'clock, instead of continuing for 15 minutes more. We will ask you to come back then.

(At 11:45 a. m. a recess was taken until 2 p. m.)

AFTERNOON SESSION

The hearing was resumed at 2 p. m., pursuant to the taking of recess.

The CHAIRMAN. Mr. Raushenbush.

STATEMENT OF PAUL RAUSHENBUSH, DIRECTOR OF UNEMPLOYMENT COMPENSATION DEPARTMENT OF THE INDUSTRIAL COMMISSION OF WISCONSIN

The CHAIRMAN. Mr. Raushenbush, what present position do you hold in the State of Wisconsin?

Mr. RAUSHENBUSH. I am director of the unemployment compensation department, which is a division of the Industrial Commission of Wisconsin, which is our State labor department. That commission, the industrial commission, has under it the Wisconsin State Employment Service, affiliated with the United States Employment Service; so that you have under one State agency both unemployment compensation and State employment service.

Of course, the two divisions of that agency cooperate very closely in the handling of unemployment benefits and registrations—claims for work and like claims.

The CHAIRMAN. How long have you held that position?

Mr. RAUSHENBUSH. I might almost say, since the beginning. I have been devoting my full time to the administration of the unemployment compensation law for 5¾ years.

The CHAIRMAN. In what State?

Mr. RAUSHENBUSH. In the State of Wisconsin.

The CHAIRMAN. Has that law been in effect for 5 years?

Mr. RAUSHENBUSH. It was passed in January 1932. It did not come into full operation until July 1934; and for a while I was the only person doing anything on it in the State, before it came into full operation. To be exact, in July 1934, we started to collect contributions from employers, under the law. In July 1936, after 2 years, benefit rights began to accrue under the law. So we have been paying benefits for nearly 1½ years.

The CHAIRMAN. Did you collect the tax from the employees or only from the employers?

Mr. RAUSHENBUSH. From the employers only, on the analogy of accident compensation, where the employers, alone, bear the cost of that particular industrial hazard.

The CHAIRMAN. Because Wisconsin was the first State to embark upon this unemployment-insurance plan, I would like to have you make a statement to the committee of your experience in the administration of that law since you started operation under it.

Mr. RAUSHENBUSH. I will be glad to do that. I have tried to select, although this was a rather hasty job—I did not expect to appear until a week from now—I have tried to select those facts which might be of interest to the committee. If I do not cover all of them I hope you will ask questions, and I will attempt to supply additional information.

This is an attempt to give the high lights, if I may follow that statement which you have before you.

(The tables referred to during the course of Mr. Raushenbush's testimony are as follows:)

TABLE 1.—*Weekly figures on total unemployment benefit claims and renewals filed in Wisconsin employment offices during the 26-week period ending Dec. 25, 1937*

[These figures are compiled each week, from a count sent in by the various employment offices. They indicate the increasing volume of claims and the changing administrative load. Many of these claims and renewals cover "waiting period" weeks. Some may not involve compensable weeks at all (in case of reemployment by the close of the waiting period)]

	Initial claims	Weekly renewals	Total claims in week	
			Number (columns 1 and 2)	Percent of 26-week average
	1	2	3	4
1937, week ending on Saturday—				
July 3	1,736	4,774	6,510	42.6
July 10	2,531	4,339	6,870	45.0
July 17	1,390	5,693	7,083	46.4
July 24	1,518	4,185	6,703	43.9
July 31	2,932	5,177	8,109	53.1
Aug. 7	3,470	6,899	10,369	67.9
Aug. 14	1,821	8,486	10,307	67.5
Aug. 21	1,837	8,756	10,593	69.4
Aug. 28	1,845	8,454	10,299	67.4
Sept. 4	1,892	8,957	10,849	71.1
Sept. 11	2,590	8,640	11,230	73.6
Sept. 18	3,424	9,761	13,185	86.4
Sept. 25	2,361	10,072	12,433	81.4
Oct. 2	1,994	8,281	10,275	67.3
Oct. 9	2,241	8,752	10,993	72.0
Oct. 16	2,278	8,821	11,099	72.7
Oct. 23	4,011	9,434	13,445	88.1
Oct. 30	3,923	10,701	14,624	95.8
Nov. 6	4,347	11,172	15,519	101.6
Nov. 13	5,251	14,113	19,364	126.7
Nov. 20	6,367	17,883	24,250	158.9
Nov. 27	5,207	19,897	25,104	164.5
Dec. 4	6,857	23,047	29,904	195.9
Dec. 11	7,003	24,298	31,301	205.1
Dec. 18	6,788	28,044	34,832	218.2
Dec. 25	5,381	26,302	31,683	207.6

Column 1: Each worker files an initial claim for benefits at the start of each series of weeks of total unemployment. (Some workers therefore filed more than 1 initial claim within the above 26-week period.)

Column 2: While he remains unemployed and eligible, the worker renews (continues) his claim each week. (Each renewal currently filed covers a completed calendar week, in order to evidence the worker's continued unemployment throughout that week.)

Column 3: For any given week, column 3 shows the total number of different individuals currently filing claims in that week.

Column 4: Taking the average of all column 3 figures (for the 26-week period) as 100 percent; column 4 shows what percent each week's column 3 figure is of that weekly average.

TABLE 2.—*Unemployment benefits paid in Wisconsin during the last 6 months (July–December 1937)*

1937 (month)	All benefits		Total unemployment		Partial unemployment	
	Number of beneficiaries	Amount	Number of beneficiaries	Amount	Number of beneficiaries	Amount
July	8,962	$115,858.00	4,792	$81,605.22	4,463	$34,252.78
August	6,747	129,675.11	4,778	106,597.99	2,160	23,077.12
September	9,438	227,518.96	7,624	203,880.04	1,936	23,638.92
October	10,472	220,768.19	8,914	203,437.98	1,715	17,330.21
November	10,904	229,233.52	9,599	214,988.75	1,472	14,244.77
December	19,007	375,816.97	16,974	357,044.34	2,237	18,772.63
6-month total		1,298,670.75		1,167,554.32		131,316.43
Percent		100.0		89.9		10.1

Of the above figures, those relating to total unemployment benefits are the most significant for present purposes.

Twenty-nine thousand different workers drew one or more checks for total unemployment, at some time within the above 6 months.

The average check for total unemployment was $9.53 per week during the above 6-month period. This weekly average will probably increase somewhat in Wisconsin during the coming months, for two reasons:

(1) Under the law, increases in weekly benefit rates (and also in maximum duration) will apply to many workers, from March 1938 on.

(2) As the recession affects an increasing proportion of skilled workers (with higher weekly benefit rates), the average of all weekly checks will go up accordingly.

TABLE 3.—*Comparative number of cases and amount of payments in Wisconsin, July 1937–December 1937*

1937 month	Relief		W. P. A.		Unemployment compensation [1]	
	Number of cases	Amount of grants	Certified workers	Wages	Number of workers [1]	Benefits paid [1]
July	28,709	$578,438	40,092	$2,155,963	4,792	$81,605
August	27,415	599,590	36,126	2,026,803	4,778	106,598
September	28,262	642,735	34,578	1,936,425	7,624	203,880
October	31,712	747,687	34,599	1,943,445	8,914	203,438
November	36,267	875,656	34,919	1,979,098	9,599	214,989
December [2]	42,777	1,063,166	36,826	2,100,000	16,974	357,044
Total		4,507,272		12,141,734		1,167,554

[1] The unemployment compensation figures given in the above table cover only total unemployment benefits, since these figures are more relevant to possible future increases in the relief and W. P. A. load than figures on "partial unemployment".

[2] The December relief and W. P. A. figures are estimated.

TABLE A.—*Unemployment benefit checks received by relief cases in Wisconsin during July, August, and September 1937* [1]

1937 month	Cases receiving relief within month			Workers receiving benefits within month	
	All relief cases	Benefits within same month		All (5), (6), (8)	Relief same month (2)
		Relief cases	Benefits		
	(1)	(2)	(3)	(4)	(5)
July	28,709	188	$2,902	8,962	188
August	27,415	199	3,469	6,747	199
September	28,262	284	5,988	9,438	284

[1] Wisconsin relief agencies have been receiving a carbon copy of each unemployment benefit check. (The above table includes both total and partial benefits.)

TABLE A.—*Unemployment benefit checks received by relief cases in Wisconsin during July, August, and September 1937*—Continued

1937 month	Workers receiving benefits within month—Continued			Effect on column 2 cases of column 3 benefits		
	Known to relief agency		Other (not known)	Grant reduced	Relief stopped	Relief started as benefits stopped
	Cases	Benefit				
	(6)	(7)	(8)	(9)	(10)	(11)
July	[1]	[1]	8,774	93	9	5
August	2,157	[2] $18,086	4,391	135	10	8
September	4,678	[2] 43,041	4,476	196	19	4

[1] Information not available.
[2] Column 7 does not include data for Milwaukee—not available. Other Milwaukee figures are not available for October, etc.

The above figures are based on reports submitted to Wisconsin's Public Welfare Department, by the various relief agencies. (These reports may be somewhat inaccurate, by not including all relevant cases.)
Column 2 shows cases receiving relief and benefits within the same month (but usually not at the same time).
Column 4 is the total of column 5, 6, and 8.
Column 5 is the same as column 2.
Column 6 shows how many workers (currently drawing benefits, but not currently receiving relief) were formerly on relief; namely, at some time since the records of the given relief agency were set up (usually about January 1933).
It does not necessarily follow, however, that all these workers would currently be on W. P. A. or relief, if they were not currently drawing benefits.

Cases receiving unemployment compensation benefits in Racine County in October and November 1937, by type of case, and month last active as relief cases

Type of case and month last active	Month of receipt of check			Total	Percent	
	October only	October and November	November only		Total	Total relief
	(1)	(2)	(3)			
Relief:						
1935 or prior	237	34	59	330	31.9	60.0
1936:						
January–June	33	13	19	65	6.3	11.8
July–December	62	11	10	83	8.0	15.1
1937:						
January–March	14	6	7	27	2.6	4.9
April–June	2	2	1	5	.5	.9
July–September	9	2		11	1.1	2.0
October	8		2	10	1.0	1.8
November		5	14	19	1.8	3.5
Total relief	365	73	112	550	53.2	100.0
Total service	57	20	14	91	8.8	
Total not known to agency	240	63	90	393	38.0	
Grand total	662	156	216	1,034	100.0	

The total is an unduplicated total for the period of October and November. To get a total for all cases receiving checks in October add columns 1 and 2. To get a total for November add columns 2 and 3.
Date active was considered as the month last received general relief.
To determine the number of cases that received checks and relief within the same month for the period of October and November shown in column 4, add the 8 cases in column 1, the 5 cases in column 2, and the 14 cases in column 3 for a total of 27.

Applications for relief or service in Racine County in November 1937, by certification status and benefit status of the case, as of Dec. 1, 1937

Certification status and type of application	Status in relation to benefits			Total	
	Benefits exhausted	Waiting for benefits	Ineligible for benefits	Number	Percent
Certified:					
Relief	10	29	11	50	14.0
Service		7	9	16	4.5
Subtotal	10	36	20	66	18.5
Not certified:					
Relief	5	25	25	55	15.5
Service	20	93	122	235	66.0
Subtotal	25	118	147	290	81.5
Total	35	154	167	356	100.0
Percent	9.8	43.3	46.9	100.0	

NOTE.—During November 1937 there were 791 cases receiving relief in Racine County.

Unemployment benefits began to be payable in Wisconsin 18 months ago—in July 1936.

Wisconsin's first 12 months of benefit payments were not typical, however, and cannot properly be used as a basis for estimating either Wisconsin's future experience, or the volume of claims and payments to be expected in other States during their first year.

There are a number of reasons why Wisconsin's first-year experience was not typical. Only two of these reasons need be mentioned.

(1) During those 12 months (that is, the first 12 months—July 1936 to June 1937), employment conditions were relatively favorable, and most of the workers covered by the Wisconsin law had steadier employment than usual.

(2) The benefits rights of Wisconsin workers did not begin to build up until July 1936, namely, the month in which benefits began to be payable. As a direct result, benefit rights and payments were very limited during the early months of the law's operation. Benefit payments during the first 12 months totaled less than one million dollars. The law's maximum duration of benefits did not apply to any Wisconsin claimant until the close of the first year, namely, July 1937.

By way of contrast to that picture in Wisconsin, in those States which begin paying benefits in 1938, benefit rights and credits have already accumulated for a year or more. So the maximum duration of benefits will apply to many of their claimants from the start. (That will not be true of all their claimants. Some will have had only short employment in covered occupations.) These other States face an entirely different picture than we had when we began.

This fact, taken together with heavy lay-offs—I mean this fact of accumulated rights in these other States—taken together with heavy lay-offs during recent months, means a tremendous accumulated administrative load at the start, and an even greater volume of claims and payments in all these States than Wisconsin has experienced during the past 6 months.

Senator DAVIS. Have you any unpaid claims now?

Mr. RAUSHENBUSH. There are always a few thousand being paid, day by day.

Senator DAVIS. Generally speaking, are you right up, within 4 or 5 days?

Mr. RAUSHENBUSH. We are within a relatively few days. I will come back to the matter of timing of payments, if you want to go into that a little further later on. I will be glad to explain that situation.

Let me, then, give a few aggregate figures on our experience to date, recognizing, however, that the first year's experience is far from typical.

Aggregate benefits: During the period July 1936, through December 1937, Wisconsin's aggregate unemployment benefit payments amounted to $2,262,654.69. These are actual figures, through December 31.

Now, as to the number of beneficiaries: During the same period of 18 months unemployment-benefit checks were paid to about 80,000 persons, of some 435,000 then covered by the benefit provisions of the Wisconsin law. (Of course, this 80,000 figure includes many thousands of workers who have drawn only a few dollars in "partial unemployment" benefits. In other words, partial unemployment on the job, with only small benefit payments in some of those cases.)

The CHAIRMAN. What do you mean by "partial benefit payments on the job"? I do not entirely get that.

Mr. RAUSHENBUSH. That is if a worker earns, while working in a covered employment, less than the benefit rate that he would receive for total employment—say his benefit rate is $15, so that is what he would get if he were totally out of work.

The CHAIRMAN. And his employment is curtailed?

Mr. RAUSHENBUSH. His employment is reduced, and he only earns $12 on the job. You do not want him to earn less on the job than he would get if he were totally out of work and drawing benefits. Most of the State laws in this country, with a few exceptions of States that have not gotten around to that provision yet, do provide that a man shall not, while working, receive less than he would receive if totally unemployed, with the partial benefits at least making up the difference. So, in some cases those are very small payments. Some workers have never drawn anything else except those partial benefits.

The CHAIRMAN. All right.

Mr. RAUSHENBUSH. Well over half of Wisconsin's benefit payments to date (for the 18 months ending December 31, 1937) were made during the last 6 months of 1937, as shown in table 2.

UNEMPLOYMENT BENEFIT PAYMENTS IN WISCONSIN, JULY–DECEMBER 1937

In view of the above facts, and in view of the recent recession, Wisconsin's experience during the last 6 months of 1937 is of primary interest. I am not attempting, therefore, to give the committee detailed figures by months for earlier periods, but merely taking the last 6 months.

Table 1 gives weekly figures on total unemployment-benefit claims and renewals, filed in Wisconsin employment offices during the 26-week period ending December 25, 1937.

These figures are compiled each week. As a matter of fact, we are also getting daily figures, but we summarize them here by weeks. These figures are compiled each week from a count sent in by the various employment offices to our State headquarters office. They

indicate the increasing volume of claims, and the changing administrative load.

It should be noted, however, that many of these claims and renewals cover waiting-period weeks. Some of these claims may not involve compensable weeks at all, in case of reemployment by the close of the waiting period.

Reemployment by the close of the waiting period was more typical of the months of July, August, and even September, than it probably is in the more recent months. The lay-offs are apt to last longer, whereas prior to that time there may have been short lay-offs for inventories and so forth, where the lay-off may have lasted only 1 or 2 or 3 or 4 weeks; but I think the more recent lay-offs are apt to last a while.

The figures show separately initial claims—that is, the first time a person comes into the employment office to start his claim—and then weekly renewals thereafter.

So you have column 1, covering initial claims, week by week, and column 2, covering weekly renewals. A person who comes in the week ending September 4 to file an initial claim would probably be reflected for some weeks thereafter in column 2, "Weekly renewals." Column 2 tends to accumulate. That is the snowball rolling downhill. As a given group of workers comes in this week to start their claim, they will come in each week thereafter. Therefore, as more serious unemployment continues, you will find the figures reflected there in column 2 of weekly renewals. You will also find them reflected in the total figures in column 3.

Taking column 3, as a reasonable summary, in the week ending July 3, to go back to the beginning of the period, we had, roughly, 6,510 different workers filing their initial claims or renewal claims in that calendar week ending July 3.

As compared to that 6,510 figure, the figure for late December, or the week ending December 25, was 31,683, that is about a week ago. I suppose I had better produce the most recent figures available. They were not available at the time this table was typed up. For the week ending January 1, 1938, closing last Saturday, the initial claims, which would appear in column 1 here, were 7,978—almost 8,000—as compared to the previous figures of around 7,000 a week.

The renewal claims or weekly renewals, which would be entered in column 2, as compared to the figure of 26,000, roughly, in the preceding week, ran up to 31,995—almost 32,000.

The total of those ran to 39,973, as compared with the previous week of 31,500, roughly. In other words, a further increase in the number of claims filed.

In this table, for your convenience, I took the 26-week average of the period, stating that as 100 percent, and then indicated the percentage each week's claims was of that 26-week average. You will notice it ranges from 42.6 percent in the week ending July 3 down to 218.2 percent in the week ending December 18; and 207.6 percent in the week ending December 25, which might have been affected a little by the holiday, however. In view of these most recent figures, it shows a continuing increase.

I will not bother you with the footnotes to that table unless there are questions on it.

Table 2 shows, by months, the amount of unemployment benefits paid in Wisconsin during the 6 months' period, July through December 1937, by three classifications: Lumping all benefits together; separating out the total unemployemnt benefits where a man is entirely out of work, applying for benefits at the employment office, and filing his claim—these claims that were enumerated on the preceding page; then, partial unemployment benefits on the job, which we briefly discussed a moment ago.

Taking the figures of all benefits, both total unemployment and partial unemployment benefits, we list here the number of different individuals or beneficiaries, those people drawing benefits at any time within the months of July, August, and so forth. And you will note that figure changes from around 8,900, roughly, in July, to 19,000, roughly, in December.

RECENT UNEMPLOYMENT INCREASE REFLECTED

The amount of benefits changes from $115,000, roughly, in July, to $375,000, roughly, in December, reflecting there, in some measure, the increased unemployment of recent months. However, those figures do not fully reflect it yet. More is to come. The benefit payments for January, February, and March, in our judgment, will be substantially larger than those for December, because, with the expiration of the law's waiting periods, those claims become mature and payable.

The CHAIRMAN. That is based upon the idea you entertain, that there will be no improvement in employment.

Mr. RAUSHENBUSH. I am not making much assumption on that. Our experience, brief though it be, shows that our seasonal peak load comes in January, February, and March on unemployment-benefit payments in Wisconsin. I do not know whether that would be true in other States. Without making any assumptions beyond the known facts, I would assume that our benefit payments, based on those people who have already applied at the employment offices, would rise in January, February, and March.

The CHAIRMAN. When did the payments begin? Did you pay benefits last January, February, and March?

Mr. RAUSHENBUSH. Yes. We started in the summer and fall of 1936.

The CHAIRMAN. Was there an increase last year, in January, February, and March?

Mr. RAUSHENBUSH. Very distinct; yes, sir.

The CHAIRMAN. You are basing your opinion on that increase?

Mr. RAUSHENBUSH. Very largely on that, but also on those people who have already come into our employment offices to start their claims for benefits, and who are renewing their claims currently. Beyond that I am very hesitant about making any predictions as to what is going to happen after 3 months. I really do not know. I do not know of anyone who does.

We do expect larger payments in those 3 months.

Commenting on this table briefly, the figures relating to total unemployment benefits are the most significant for present purposes.

TOTAL VERSUS PARTIAL UNEMPLOYMENT

It might be interesting to note that the relative percentage of benefits paid for total unemployment, as compared with those paid for partial unemployment on the job, has changed appreciably over a year ago.

At that time we were paying a much larger percentage of our aggregate payments for partial unemployment benefits. As total unemployment becomes a more and more serious part of the problem, partial unemployment benefits may more or less hold their own, but they do become a diminishing percentage of the total.

The next figure is one not given in that table. It could not be deduced from that; that is, 29,000 different workers drew 1 or more checks for total unemployment at some time within the above 6 months; 29,000 different individuals over the 6 months' period. Some of them drew for a short time only, especially in July, August, and September, when there were, primarily, seasonal lay-offs. A good share of that might be heavy automobile-industry lay-offs. We have both the General Motors and the Nash-Kelvinator plants, and automobile lay-offs are apt to occur in July, August, and September, so that some of those benefit payments reflect that situation, and many of those men returned to work after a short time.

Not all of these 29,000 different workers drew their full, possible maximum duration of benefits.

The average check for total unemployment was $9.53 per week during the above 6 months' period. Taking all benefits paid for total unemployment, and dividing by the number of checks issued, a check being issued for each separate week, gives a figure of $9.53 as an average payment.

The CHAIRMAN. That is due to the fact that you have not had so many skilled workers laid off?

SKILLED VERSUS UNSKILLED LAY-OFFS

Mr. RAUSHENBUSH. That is quite right. That is probably a major factor in that average. Typically, you can expect to find the least-skilled workers and the lowest-paid workers the first to be laid off. Consequently, although you have a lot of $15 benefit rates, those people are not the first ones to draw.

The CHAIRMAN. When the skilled workers are unemployed the average will increase?

Mr. RAUSHENBUSH. Yes; the average will increase. That is an important factor, aside from the fact that our average will probably go up because of certain changes which were passed in a legislative amendment, to become effective at the conclusion of this coming February, so that many benefit rates will tend to go up and the average will go up.

The CHAIRMAN. Do you mean that at the last legislative session the rates were increased?

Mr. RAUSHENBUSH. Certain changes in the methods of figuring rates were made, to take effect at the close of February, so there will be some increase in that average figure.

The reason our legislature specified the changes were to take effect at that time is because we redetermine benefit rates, generally, for all covered workers once a year. That was the time when the redeter-

mination would be made, so they said, "At that time these changes in methods of calculation will begin to apply."

The CHAIRMAN. Was there any increase in the taxes from which the revenue was secured?

Mr. RAUSHENBUSH. In connection with this change?

The CHAIRMAN. Yes.

Mr. RAUSHENBUSH. No; not in connection with it.

The CHAIRMAN. But by reason of the change there will be an increase in the benefits?

Mr. RAUSHENBUSH. There will be some increases in benefit payments, both in terms of weekly rates and in terms of maximum duration—the number of dollars a man can draw.

I turn now to a few further comments on the next table, which are, primarily, explanatory of the monthly figures already given and their possible significance for the purposes of this committee. I venture these suggestions rather hesitantly at some points, but they may be helpful. Of the number of workers listed in table 2, as receiving total benefits in any given month, some drew benefits each week throughout the month. Others drew for only 1, 2, or 3 weeks, because they became eligible late in the month, or returned to work within the month, or exhausted their benefit rights within the month.

The figures do not indicate that each one of the listed beneficiaries drew throughout the month.

Most of the 16,974 workers drawing total benefits in the month of December were laid off in November and will probably continue to draw benefits during January and February. They are just well started on their benefit withdrawals.

About 15,000—and in view of the most recent figures I think I ought to raise that to 20,000—but on the basis of what I knew at the time I wrote it, about 15,000 additional workers have recently filed their initial claims, will shortly be completing their waiting period, and will accordingly become eligible for total benefits.

Combining those two figures, roughly, 17,000 and 15,000, most of these 32,000 workers in Wisconsin, already laid off, will probably remain unemployed, and will exhaust their unemployment benefit rights during the next few months. (This statement assumes that there is no great pick-up in sight within the next 3 months and should be qualified in that way.)

EXPIRATION OF BENEFIT RIGHTS

Senator DAVIS. When do the benefit rights expire; in how many weeks?

Mr. RAUSHENBUSH. That depends on how long they have been employed prior to their lay-off. That is true of all the State laws. The benefit rights of the individual depend on how much employment and wages he has had in covered employment prior to lay-off and application for benefits. It is a variation in benefit rights, based on past employment. In other words unemployment compensation is a matter of right, based on past work history in covered or insured employment, and all the State laws—well, there is one possible exception, I think, Ohio—but, generally speaking, all the State laws say that how much benefit rights a man builds up depends on how long he works, and how much wages he earns in a given period prior to his lay-off.

Senator DAVIS. That is what is referred to as merit.

Mr. RAUSHENBUSH. It is a distinction in the benefit rights of the individual workers; yes; based on past employment and wage history. Not all workers can draw the maximum duration.

The CHAIRMAN. That is confirmatory of your previous statement. Let me ask you: Would it be fair to say that there was a seasonal increase in unemployment in the last months of 1936 and the first months of 1937?

Mr. RAUSHENBUSH. I think it came a little later than that.

The CHAIRMAN. Later, and then, as a result, when men were laid off, probably those who were last employed were the first to be laid off, and, consequently, they had not accumulated the maximum benefits.

Mr. RAUSHENBUSH. That is quite right.

The CHAIRMAN. As others are laid off you would have to pay larger benefits?

Mr. RAUSHENBUSH. That is right. The first to be laid off would probably draw for shorter periods than others. If you get down to the skilled workers, who are the basic nucleus of the working force, and you start laying them off, they will draw maximum benefits.

As I was saying, many of the 32,000 workers already laid off in Wisconsin may remain unemployed and exhaust their unemployment benefit rights in the next few months, aside from any additional cases. Then we do not know. It depends on what happens to reemployment. Perhaps many of these workers may then be in need of further help, and they may have to apply for W. P. A. work or for relief. If that is true of any considerable percentage of those 32,000 cases it will mean a very substantial increase, within a relatively few months, over the number of employable persons now in need and seeking work on W. P. A. projects in Wisconsin.

I have a few figures procured from the W. P. A. in Wisconsin, and from the relief department in Wisconsin, to give you some comparisons, within a single State, of the numbers on relief, on W. P. A. and on unemployment benefits at the present time, which I will give you shortly.

The CHAIRMAN. I wanted to ask you about that, but I thought you were coming to it.

Mr. RAUSHENBUSH. I will be coming to it.

If further heavy lay-offs take place in the coming months that would, of course, swell the ranks still further, and, in my judgment, a similar situation will, in all probability, develop in all the various States, shortly, starting to pay unemployment compensation.

BENEFIT PAYMENTS AND PURCHASING POWER

Benefit payments will definitely help to sustain the purchasing power of each unemployed worker who receives them. They should serve as his "first line of defense" against unemployment, and should, at least, postpone the need for relief.

But the duration of benefits is strictly limited under all laws, based on past work and wages in covered employment. Even the maximum rights will, normally, be exhausted under present State laws within 4 months, or 5 months at the most. One cannot be too exact about that, because the different State laws have varying waiting periods and varying duration of benefits. But, as a general picture, if we

take the waiting periods, plus the number of weeks a man can draw from the time of his lay-off, he will have exhausted his benefit rights if he remains laid-off 4 months, or in 5 months, at the most. So you will have unemployment compensation carrying a certain amount of the load, for that limited period.

In short, unemployment compensation will serve as a cushion for many workers, while it lasts. It will doubtless slow down the increasing need for relief, to some extent, for a few months in each case, but unemployjment compensation should not be expected to perform miracles in that respect. The program is too new.

Senator LODGE. It is a bridge from one job to the other.

Mr. RAUSHENBUSH. In normal times it should adequately serve that purpose. When you get into a severe depression you will probably exhaust all of your funds, in time. If you will remember, England's experience was that they had to throw in large Government subsidies to meet depression situations.

Senator DAVIS. They have not yet returned all that was loaned to the unemployment-compensation fund back to the government.

Mr. RAUSHENBUSH. I think not. That ties in with the figures Mr. Altmeyer was mentioning, that if you had been operating such a system for 10 years, and then you hit a serious depression, such as that of 1930, 1931, and 1932, your funds would have lasted for the first year, or year and a half, or 2 years of the depression, and then probably they would all be paid out. That was his statement, as I understood it this morning, that by 1931, after going through the year 1930—sometime in 1931 you might not be able to carry the burden any further.

Table 3 gives you a set of comparative figures on the number of cases and the amount of payments under three different programs in Wisconsin, during the past 6 months, namely, relief—(general outdoor relief), W. P. A.—(Works Progress Administration), and unemployment compensation.

You will note there the comparative order of magnitude, both as to number of cases or number of different individuals, and the amount of grants. Relief has been carrying from around 28,000 different individuals, in July, up to forty-two thousand odd in December, with payments ranging from $578,000 in July up to over one-half million dollars in December. W. P. A., primarily as a result of the "quotas" set, was carrying 40,000 certified workers in July. Those do not include any skilled personnel hired on a nonrelief basis. These are "certified" people, who would otherwise be proper candidates for relief.

The certified workers were around 40,000 in July and 36,800 in December.

Some of those people, I understand—a few thousand of them—were taken on late in December, so that accounts for the increase from November to December.

For W. P. A. certified workers the wages ran from something over $2,000,000 in July to a little over $2,000,000 in December. There was not a great deal of change there, in spite of the increasing unemployment, as yet.

Next is unemployment compensation. Here I am giving you the figures on total unemployment rather than the combined total and partial, on the ground that the total unemployment figures are more

relevant to possible future increases in relief or the W. P. A. load than the figures on partial unemployment. The number of workers there ran from 4,700 in July up to nearly 17,000 in December—with additional increases definitely in sight, based on applications already received, for January and February, as already indicated—and the benefits paid out, by months, ranged from $81,000 in July up to $357,000 in December 1937.

UNEMPLOYMENT BENEFITS AND RELIEF

I have a few other figures here on the relationship between unemployment benefits and relief. I confess that those figures are rather spotty. They are merely sampling. I will not vouch for their accuracy or significance, as I can on some of these other actual figures; but they may, nevertheless, be of interest to the committee as to the relationship or the overlap between unemployment benefits and relief, confining the figures to the receipt of outdoor relief.

The fact appears rather clearly that people who draw unemployment compensation are the workers who are normally employed and who have, during the past few years, had jobs in covered employment. Many of those people, on the other hand, who are drawing relief, have not had such jobs recently. So that, as Mr. Altmeyer was saying this morning, you cannot say that every dollar of unemployment benefits paid out is a direct reduction in the possible relief load. I think this is probably what he meant. Of course it is apparent, the moment you stop to think of it, that a lot of the relief cases have not recently been employed at all; whereas a lot of people who draw unemployment benefits have never, even throughout the years of the depression—if you go back 6 or 7 years, they have never been on relief once—many of them.

I have a few sample figures here, which show that, but these figures are only for 3 months. They are based on the fact that we have been supplying the relief agencies in the State of Wisconsin a carbon copy of each unemployment benefit check. We did that for two reasons; one, we wanted to be sure that the people were not drawing both simultaneously; and to cut down any possible duplication. The other reason is that we wanted to know something about what the relationship was. So that we have some information, based on the receipt by the relief agencies of these carbon-copy checks. They have some basis in their local relief offices for studying the relationship.

They have made some reports on that to the State Public Welfare Department, but these come from cities and counties and various relief agencies not too closely integrated. The reports are not uniformly accurate, but they are the best evidence we have. So, for the 3 months there is a line up here on table 4, "Unemployment benefit checks received by relief cases in Wisconsin during July, August, and September 1937."

The first classification here is, "Cases receiving relief within month."

In July the total number of all relief cases was 28,709. How many of those cases also drew some benefits within the same month? There were only 188 such cases. (That does not mean that they were drawing benefits and relief simultaneously. Benefits may have started late in the month, or have ended in the middle of the month, before or after relief took it up. When you take the span of a month, you will

get some overlap.) On a current spot basis there was only an overlap there of 188 persons in the particular month in question, with $2,900 in benefits being paid to those cases in July.

Similar figures are given for August and September. Probably as time goes on there may be a larger overlap in the picture. Unfortunately we do not have figures for December, because a few of these local relief agencies stopped playing ball—they did not have to make these reports, and they decided they would not and stopped cooperating with the Welfare Department. We have not got the information for recent months, but, probably, if it were available it would show some increasing overlap as time goes on.

The other classifications cover other workers, not currently on relief, receiving benefits within the month.

The total number of workers receiving benefits within the month of July, for instance—let me skip down to the month of September, because there is one figure that we have not got for July. If we take September, under column 4 of that table, the total number of workers receiving benefits within the month was 9,438. Only 284 of those people were receiving relief within the same month. That is a relatively small percentage of the total people drawing benefits who are currently in the relief picture, in the same month. You would expect it to be a rather small number.

The next figure is, perhaps, of more interest, and it shows a little bit more of the possible inter-relationship between unemployment compensation and relief. That figure runs to 4,678 different individuals who were "known to the relief agency."

The CHAIRMAN. What do you mean by that?

Mr. RAUSHENBUSH. I have explained that in the footnote, Senator. "Known to the relief agency" means that they were on relief at some time since the records of the relief agency were set up. Usually that means about the year 1933.

The CHAIRMAN. Do you mean that those people who were on relief had gotten jobs?

Mr. RAUSHENBUSH. They had gotten jobs.

The CHAIRMAN. And they had lost their jobs and were paid benefits?

Mr. RAUSHENBUSH. That is right. So, out of the total number drawing benefits in September of 9,400 people, roughly, there were 4,600 of them who had drawn relief at some time in the last 4 or 5 years—1933, 1934, 1935, 1936, and 1937. It runs over about a 5-year period.

The CHAIRMAN. It would indicate what we were discussing, that those who were employed last were the first to lose their jobs.

Mr. RAUSHENBUSH. Yes; but it also indicates that some of the people who have been currently drawing benefits had, at one time or another in the depression, been on a relief roll; so there is a little more relationship than current figures for a single month can possibly show you.

The CHAIRMAN. All right.

Mr. RAUSHENBUSH. I think that is probably all the comment I have on that particular table, aside from the footnotes already indicated here, to show certain missing items of information.

RACINE COUNTY STUDY

Then I have two more tables here, closely related, based on a sample study made in a single Wisconsin county, for the months of October and November. That was the county of Racine, which is an industrial county. Racine is our second largest city, and it has a rather diversified type of industry. This is a sample study, attempting, again, to trace the relationship between unemployment compensation and relief, to see what overlap there is. And you get a little more detail in these two tables as to the possible relationship. For instance, how far in the past were some of these people known to the relief agency? You get a little more detail in this sample study than you get from the State-wide figures that I was just giving you.

I note here on the first of these tables that there were, in October and November, more than a third—38 percent—of the total number of people who received benefits, who had never been known to the relief agency at all at any time within the past 5 or 6 years.

The CHAIRMAN. If I may interject there, what column is that?

Mr. RAUSHENBUSH. That is over at the right. Unfortunately, it is not numbered. It is in the percentage column under "total." If you will read down until you get away down to the bottom where it says, "Grand total, 100 percent," the figure directly above that line reads "38 percent," which shows the percentage receiving benefits who were not known to the relief agency at all.

The CHAIRMAN. Thirty-eight percent of those who received insurance benefits had never been on relief?

Mr. RAUSHENBUSH. According to the records of the relief agency in this town.

INSURANCE BENEFITS AND RELIEF EXPENDITURES

The CHAIRMAN. Have you any information to show since you began paying insurance benefits the effect it has had upon expenditures for relief, in Wisconsin?

Mr. RAUSHENBUSH. I am sorry that we do not have any precise figures on that, sir. The type of figures that we have given you here give a rough indication. I think, in summary, that up to very recently the effect was relatively slight. But the overlap, or interrelationship, is apt to be greater in a period of heavy unemployment.

The CHAIRMAN. You say that in Wisconsin the average benefit payment has been $9.07?

Mr. RAUSHENBUSH. $9.53 over this 6-month period; that is, per week.

The CHAIRMAN. How does that benefit compare with the average weekly relief allowance by the State of Wisconsin, and with the security wage paid by the W. P. A. in Wisconsin?

Mr. RAUSHENBUSH. I believe it would be fairly closely comparable; but the relief figures are on a monthly basis, and it is a little hard to compare. I think the relief payments might average pretty near to that same figure, if the average weekly relief grant were known.

The CHAIRMAN. The relief payments by Wisconsin?

Mr. RAUSHENBUSH. Yes, in Wisconsin. The counties vary quite a little in their practice. Some are more adequate than others. The average relief grant for the State, as a whole, would probably approach our benefit average, if it could be reduced to a weekly basis. However

I do not have relief figures on a weekly basis. On a monthly basis, the average relief grant per case was $24.14 in November, 1937—counting each family as one case, and including cases which received relief only part of the month.

The CHAIRMAN. The security wage of the W. P. A. would be much higher?

Mr. RAUSHENBUSH. Yes; about double.

The CHAIRMAN. Therefore, when a man loses his job, if he can qualify under the local administration certifying those who are entitled to W. P. A. jobs, he would be far better off to get a W. P. A. job than to draw his insurance benefit.

Mr. RAUSHENBUSH. If he could do it, but he cannot do it.

The CHAIRMAN. Because he cannot show the need?

Mr. RAUSHENBUSH. Yes; that is a fair way of stating it. The W. P. A. authorities, when considering certifying a man for a W. P. A. job, would raise a question about what resources he has, and whether he is in need. If he has unemployment benefits still coming they will not certify him at that point. They will wait until he has drawn his unemployment benefits.

INSURANCE BENEFITS AND SUPPLEMENTAL RELIEF

The CHAIRMAN. Have you got any information as to the extent that the recipients of benefits, insurance benefits, in Wisconsin have been given supplemental relief by the county or State authorities?

Mr. RAUSHENBUSH. That is relatively rare, as indicated here in this sample study for Racine. Let me see. The figures that are available here show that out of the total number of persons receiving unemployment compensation benefits in Racine County, in the months of October and November, there were a certain number of people who received relief in the same month, but not necessarily at the same time. The percentage of such people was about 2.8 percent in the 2 months, and there is no indication here whether they were receiving the two types of payments simultaneously. I do know, however, from talking with some of the relief people, that in a relatively small percentage of the total number of cases (you see it could not be very large, because only 2.8 percent got the two types of payment in the same month, and those are not all simultaneous, by any means) I understand there have been some cases of large families and short benefit rights, where relief has supplemented, but they are a pretty small percentage of the cases.

The CHAIRMAN. Has there been any discussion in Wisconsin as to the method by which the persons who have exhausted their compensable period can be kept off the relief rolls?

Mr. RAUSHENBUSH. I know no alternative, unless it is W. P. A.

The CHAIRMAN. Have county or city officials been proposing a work program?

Mr. RAUSHENBUSH. Well, they have thought for a good long while about possible work programs, but I think there is nothing very definite in sight, because no funds are available.

The CHAIRMAN. Well, how about your employment office? What success has the employment service had in placing in jobs any of the men who have been discharged and who are receiving insurance benefits?

Mr. RAUSHENBUSH. Well, we do not have figures on that exact basis, because for placement purposes the employment service does not give any preference to unemployment benefit claimants as such. They take the work history and qualifications of every person who will come to the office and say, "I am looking for work", including these unemployment benefit claimants, and then try to place them on the basis of fitness for the available jobs. In other words, they do not let consideration of family need or race or religion or benefit status affect their referral to available job openings. Consequently we do not have figures on how many people applying for benefits were placed in jobs. The only figures that would be available, and I am sorry I haven't got those with me, are the number of placements the employment service has made for all the people who were on their lists.

The CHAIRMAN. Well, I don't know. It seems to me it would be very interesting for you to know the number of those who were out of employment and receiving insurance benefits that were placed by the employment service. The same day that you are advised of the man being out of a job, the employment service is advised.

Mr. RAUSHENBUSH. That's right.

The CHAIRMAN. You are interested in helping that man to secure a job, without it being just your particular duty?

Mr. RAUSHENBUSH. Yes, sir.

The CHAIRMAN. It is their particular duty?

Mr. RAUSHENBUSH. Yes, sir.

The CHAIRMAN. They do not advise you when they have placed that man in a job?

Mr. RAUSHENBUSH. That can be checked in the local office, so that he will no longer be able to draw benefits if he has gotten work again.

The CHAIRMAN. Well, it seems to me that the best check would be if the employment service knows if they put John Smith in a job they could advise your office.

Mr. RAUSHENBUSH. We would get that count, and perhaps you are right, we should be getting it currently and on a State-wide basis instead of its being known in the local office only.

EMPLOYMENT AND COMPENSATION SERVICE COOPERATION

The CHAIRMAN. I am interested in getting the employment service to know the compensation service. I want to introduce them to one another.

Mr. RAUSHENBUSH. Get them acquainted?

The CHAIRMAN. Up to this time they don't seem to be acquainted, and seem to show a great hesitancy about meeting each other.

Mr. RAUSHENBUSH. I think they are pretty well acquainted out in our local offices. You see, the unemployment compensation people have their quarters in the same offices as the employment service.

The CHAIRMAN. That is what makes it stranger to me, that they have their office in the same office, and the same man in some instances is handling the same work for both things.

Mr. RAUSHENBUSH. That is not the universal rule. In a small office, where there is not enough work to specialize it, he might be doing both the interviewing for placement purposes, which is a technical job itself, and also taking the claims for unemployment benefits. But in the larger offices we have the two functions specialized.

The CHAIRMAN. In the same office. But after it has left that particular local office, they go in opposite directions, one to the Labor Department and one to the Social Security Board.

Mr. RAUSHENBUSH. At the State level they come into the same Industrial Commission of Wisconsin, and as a matter of fact, the statistical division that handles these reports is a common statistical division for both services.

The CHAIRMAN. It would not be a great amount of expense, or trouble either, for it to be an automatic matter for the employment office to tell you when the man gets a job, so it might be current of the other fellow's situation, at little expense.

Mr. RAUSHENBUSH. I was speaking more to the point of the policy of the employment service, which we are rather inclined to insist on as a long-run proposition.

Senator CLARK. They seem to be 6 weeks behind every time.

Mr. RAUSHENBUSH. I think they are all right on this point; that is, in the long run they have to furnish efficient placement service, otherwise employers would not use them.

Senator CLARK. I am not criticizing their policy of saying that they have to furnish the employer with the best-qualified man to fill his needs. That is one proposition. What the chairman and I have been talking about is the fact that apparently the employment service and the social security organization have no knowledge of what the other is doing, although they might be functioning in the same room, and sometimes by the same man. Now, it was testified here yesterday by Mr. Persons that it would be a matter of great expense for the employment service to be current with their knowledge of the situation. It wouldn't be any trouble for you to notify them about what you do, or for them to notify you of what they do, would it?

Mr. RAUSHENBUSH. No, sir. And, Senator, if I may call your attention to the first table I presented to the members of the committee, that is information on claims—filed in Wisconsin employment offices—which comes in constantly and currently; and I gave the committee a figure for the week ending January 1, which was last Saturday. We have had no difficulty in that respect at the State level. We cooperate closely there. We even have our State offices in the same building, and we are not only on good speaking terms, in the State, but we work very closely together.

REPORTING JOB LOSS TO EMPLOYMENT OFFICES

The CHAIRMAN. In your State you have a sufficient number of employment offices to permit the assured workers to personally report unemployment, or do they have to advise you by mail?

Mr. RAUSHENBUSH. The great bulk of the Wisconsin covered workers can reach an employment office. We have 34 offices located in all the larger cities of the State, and then we also have a traveling service out of those offices which makes the smaller towns at a certain time on a stated day each week, especially when there is a lay-off. The traveling representative of the employment service, when he goes out into the smaller towns, will cover all the different functions together. He has to be a jack-of-all-trades, who can handle them all when he goes out to a small town, where there may have been a lay-off of several hundred people. So a part of our more scattered

population, where there is a large area not very densely settled, especially in the northern portion of Wisconsin, where this traveling service has to reach out, is covered in that way, because a full-time office would not pay. But in Milwaukee, for instance, where about 40 percent of our covered workers are located, we not only have one central office, a women's division and a common labor division, but we have five branch offices throughout the city, and they are kept plenty busy.

The CHAIRMAN. Are you encouraging the men who are receiving insurance benefits to accept jobs on W. P. A. when they can qualify for such jobs?

Mr. RAUSHENBUSH. We have not particularly had to push that. I don't believe we have done anything in particular about it. I mean, the information is available to relief and W. P. A. as to what benefits a worker is drawing, and it is then a matter of their policy as to what number of people they are able to take on—add to their program.

The CHAIRMAN. And you make no effort to try and place them, then; but if they do take a job with W. P. A., they are supposed to advise you, or the employment service, and the employment service advises you?

Mr. RAUSHENBUSH. They must file a renewal claim for benefits each week, and must state whether they had any other wages whatsoever and who from; and if any wages show up in that particular week, that affects their current receipt of benefits. It wouldn't wipe out their benefit rights; so if they then lose their new job with a private employer or the W. P. A., those rights are still alive, and they can then draw. But it will suspend their rights—postpone them, if you wish.

UNEMPLOYMENT DATA

The CHAIRMAN. How do the figures of Biggers' organization, voluntary registration, showing the number of unemployed in Wisconsin, compare with the figures that you have in Wisconsin?

Mr. RAUSHENBUSH. I am afraid I would have difficulty in answering that question. What we know definitely is the number of workers who are coming in to us at a given time, to the employment office, and claiming benefits, and registering for work.

The CHAIRMAN. You have got the total number covered, haven't you?

Mr. RAUSHENBUSH. Covered by unemployment compensation, do you mean?

The CHAIRMAN. Yes.

Mr. RAUSHENBUSH. Yes; but when you are trying to arrive at the number of unemployed as of a given date, as a check on the accuracy of this voluntary registration, you would have to build up from three or four different sources. You would have to take those currently applying for unemployment benefits at that particular time, and the number on relief, and the number on W. P. A., and then guess at the balance.

The CHAIRMAN. No; you could take the total number covered by insurance, you could take the percentage of that number that have applied for insurance benefits, couldn't you?

Mr. RAUSHENBUSH. Maybe I misunderstood your question.

The CHAIRMAN. You have the percentage of unemployment of those who are covered by insurance, and you would have to make an estimate, of course, as to those who are not covered by insurance, but you haven't done that; you have not attempted to do that.

Mr. RAUSHENBUSH. No; as I say, you could get some rough picture from the figures given here as to the number of different people drawing these different types of aid. If you take the figures here in table No. 3, for the month of November, you would have the number of relief cases at that time, thirty-six thousand odd, and the number of certified workers on W. P. A., about 35,000. The number drawing unemployment compensation in that month was less than 10,000, but you probably ought to be using the December figure in that case, 17,000, in view of the lag involved in the waiting period.

Mr. JOHNSTONE. Eighty-three thousand.

Mr. RAUSHENBUSH. Well, you see, that falls short of the number counted there. It was around 112,000 for Wisconsin. These figures do not add up, you see.

The CHAIRMAN. I asked you, thinking that possibly you attempted to reconcile the two figures. If you haven't got that, never mind.

Mr. RAUSHENBUSH. I am sorry I haven't anything on that.

The CHAIRMAN. I have been told that at a recent meeting in Washington, one of the members of the Wisconsin board stated that a recent survey in Racine County showed that 80 percent of the persons drawing benefits had been on relief rolls. Does that check up with the information that you have in that table?

Mr. RAUSHENBUSH. That 80 percent must be a little high, I think. You see, I gave you that particular Racine figure here.

The CHAIRMAN. What do you give?

Mr. RAUSHENBUSH. According to that figure for those particular months, as high as 38 percent had not been known to the relief agency at any time in the last half-dozen years, which would mean that only 62 percent had at some time in the past drawn relief or received service of the relief type.

UNEMPLOYMENT COMPENSATION FINANCING

Senator LODGE. Mr. Raushenbush, is your Wisconsin unemployment compensation law financed by a contribution by employer and employee?

Mr. RAUSHENBUSH. Employers only.

Senator LODGE. It is my understanding that in England they have a contribution by employers, employees, and the Government, and I think we all agree that we cannot depend on unemployment compensation to carry the full load of a depression, and I wondered if you thought that should be met by Government subsidies of the unemployment insurance scheme, or whether you thought any additional Government effort toward relief of unemployment should be a separate matter.

Mr. RAUSHENBUSH. I should think that unemployment compensation might meet this short-term unemployment in normal times, and the first shock of a depression, as a proper charge against industry, just as accident compensation is a proper charge against industry. For instance, if the automobile industry really has to have a long lay-off season, if that is in the nature of that industry, then it seems

to me it is a proper charge against the automobile industry to see that its laid-off workers are taken care of, to see them through. They have to live the year round. But when it comes to the question of Government picking it up, my personal preference would be for a work program, because——

Senator LODGE. An entirely separate and distinct matter?

Mr. RAUSHENBUSH. Yes; which would pick up only after the benefit rights are exhausted. Now, I might say this much more: I think some of the figures and impressions we have gotten during the past year indicate that waiting periods are a bit too long. Probably that is true under most State laws. There are some people who have had such irregular employment, whose incomes have been so scanty and so irregular in the past, that the moment they are laid off they are in need immediately. They cannot wait even a few weeks. That is not true of all of them, but I think that is one of the things that changes in State laws will probably eventually take care of—I mean that question of waiting periods. Another related problem: Can State laws afford to make duration of benefits longer? I think the pressure in all the States will undoubtedly be in the direction of liberalizing the laws as time goes on, provided the evidence is clear that it can safely be done within the limits of revenue available.

When it comes to a program, after benefit rights have been exhausted, to meet depression situations, there, it seems to me, a work program that gets a substantial return in value of projects created, rather than just the relief grant, is a much more satisfactory answer. I know this is a question of broad social policy. That is my personal opinion on it.

OCCUPATIONAL COVERAGE OF UNEMPLOYMENT COMPENSATION

Senator LODGE. Does your law cover fishermen, sailors, domestic servants, and agricultural workers?

Mr. RAUSHENBUSH. No; by State law, we exclude agricultural and domestic workers. Did I dodge some question you asked me a moment ago, sir?

The CHAIRMAN. What is the difference between the Wisconsin State law and the other 47 State laws, as to employer reserve? Is there a difference?

Mr. RAUSHENBUSH. There is a difference, but not as compared to all the other 47 State laws. Perhaps I ought to speak more generally to the proposition of "merit rating" under State unemployment compensation laws. Merit rating means differentials in employer contribution rates, based on the actual experience of each particular employer with unemployment benefits. In other words, typically, merit rating means that an employer who is stable, either by the nature of the industry or partly because of his own efforts to regularize his employment, will in the long run pay a reduced contribution rate; whereas the less stable or less regular concern will pay a higher rate. In other words, each enterprise, each employer, would have a rate definitely related to his own unemployment benefit experience.

MERIT SYSTEMS

Now, there are two reasons for that: One is to encourage more regular employment, so far as the employer has it within his power to do anything about it. Now, in some industries he can do very little.

In others, he can do a good deal. At least, many of our Wisconsin employers have found they can, under the spur of the very clear-cut merit rating that we have in our law (the "employer-reserve" system of setting up a separate account for each employer, charging that account with all benefits paid to his workers, crediting that account with all his contributions paid in, so that the employer's reserve account itself gives a running current record of his experience, by showing his contributions and the benefits paid out to his workers due to his lay-offs).

The other reason for merit rating is that one industry which is more stable than another, so that it involves less unemployment cost to the community as a whole—might properly pay a lower rate. If you are doing good social cost accounting, you should say to each type of industry and product, "You should bear the carrying charges on your own idle pay roll for a reasonable time."

The CHAIRMAN. In how many States have they such a system?

Mr. RAUSHENBUSH. There are definite merit-rating systems specified in something over 30 laws, I believe. I wouldn't want to vouch for the exact number. Some of the other laws authorize their administrations to create merit-rating systems. There is a wide variation between State laws, as to the effectiveness of their merit rating. Wisconsin's "employer reserves" law provides the clearest and most complete merit rating, so all our employers know exactly where they stand on it.

RELATIVE INDUSTRIAL STABILITY

The CHAIRMAN. For instance, has the automobile industry in Wisconsin been more stable than the automobile industry in Michigan? Have you made any study of that?

Mr. RAUSHENBUSH. No, I am sorry. We have not gone outside our own borders. That is a study that the committee might make for us, they could tell better. We do have one plant, you see, of General Motors in Wisconsin, the Chevrolet Fisher Body unit at Janesville. We also have Nash Kelvinator plants, in Racine, Kenosha, and Milwaukee. We have not made comparative studies, but I do know that both the Nash Kelvinator and the Chevrolet Fisher body (I know some of their personnel men, and other executives) are definitely concerned as to how long their lay-offs will be, and how much their benefits will cost them out of that account set up with us. They know that their benefit payments to their workers will come out of their own reserve account with us, and will affect their future contribution rate, and any degree of regularity that they can introduce in there will save them money in the long run.

The CHAIRMAN. It tends, then, using your words, to "regularize" them?

Mr. RAUSHENBUSH. Yes; gives the employers the maximum possible encouragement to regularize if they possibly can. If the committee is interested in that point, I might, if you like, file with the committee some letters sent by Wisconsin employers to the manufacturers' association last February, in which they testify that they are encouraged to regularize because of the nature of our Wisconsin merit-rating system.

The CHAIRMAN. I would like to have them.

(Letters referred to annexed at the end of this record as exhibit A.)

Senator CLARK. Exactly the same proposition as an accident-liability-insurance policy, charging an employer with a good record as to accidents less than an employer with a bad record of accidents?

Mr. RAUSHENBUSH. Exactly; and it works. So far as there is any control over the problem it does produce the results. You might be interested to know that out of our roughly 4,500 employer accounts who have been potentially liable for benefits there are about 1,300 of them who have not yet paid a nickel in benefits. This does not mean they wouldn't have to pay if they laid people off, but they are watching to prevent it if they can. Some of them say it is a black mark against them if they have to have lay-offs and pay benefits. The letters I just gave you were obtained by the Wisconsin Manufacturers' Association early in 1937. I confess, if you go back 6 years to the time our law was passed, those employers wouldn't have said those nice things about the Wisconsin law at that time. But now, many of them do recognize that our law does have a constructive influence toward more regular employment. As I say, most of the State laws have some merit-rating provisions to differentiate employer-contribution rates, so an employer can look forward to the time when his record will set his rate.

TIME LAG IN SETTING UP ORGANIZATION

The CHAIRMAN. I am particularly interested in finding out how soon we could start the payment of benefits in those 25 States which are not starting on January 1, 1938. A statement has been made to us that it will take about 6 months. You are the pioneer in this matter. Assuming that Congress should amend the social-security law so as to permit the States to do it, and assuming that a State wanted to start the payment of benefits, having the advantage of the organization in your State, and in the 22 others, how long would it take you to put into operation that law, if you were a director in one of these States?

Mr. RAUSHENBUSH. You mean, knowing what I know, after having a year and a half of experience?

The CHAIRMAN. Yes, or knowing that they can get from you the benefit of your experience.

Mr. RAUSHENBUSH. Well, I am not sure that that is quite a fair way to put the question, Senator.

The CHAIRMAN. Well, I withdraw the latter part of it, then. How soon could you do it?

Mr. RAUSHENBUSH. Well, we had had a long time to prepare, before we started. I mean, we had been collecting contributions for 2 full years.

The CHAIRMAN. Now, remember they have the contributions. It is to their credit in the treasury.

Mr. RAUSHENBUSH. Yes, but Senator, remember that many of these States, the very ones you are speaking about, did not pass the laws until a scant year ago, some of them less than that. They haven't had 2 full years of getting their organizations set up, even to collect contributions; and such collections are child's play compared to benefit administration, which is more difficult and takes more time to set up.

The CHAIRMAN. Well, I will admit that, but they have organizations so successful that they have a lot of money to their credit in the treasury. That is to their credit.

Mr. RAUSHENBUSH. They have not collected it all in some of these States, I suspect.

The CHAIRMAN. But it is a half-billion dollars they have collected.

Mr. RAUSHENBUSH. You are asking about the States that came in most recently.

The CHAIRMAN. Those States that have come in during the last year and now have that money to their credit, how long would it take you in one of those States to provide an organization to care for benefits just as you are caring for them in Wisconsin?

Mr. RAUSHENBUSH. Well, I would say that if Congress passed that amendment before the close of January, and if it were thoroughly understood that the various Governors of the various States involved would immediately call special sessions to amend their State acts, to permit earlier payment, and if that were definitely known to the State administration officials by the close of January, then they might, within 5 months, by July 1, be able to get set. I doubt whether they could do it in much under that, because here is the situation: They have got merely a rudimentary organization. I mean, just the beginnings of an organization which is now collecting contributions, has not really begun to think much about benefit payments yet. Their employment service hasn't really gotten set-up yet at all. As a matter of fact, the Social Security Board, if my understanding is correct, even had to say to the various States commencing the payment of benefits right now, in January 1938, the 22 jurisdictions that are in that picture, that it was unable to let them expand their employment services a half year ago in order to get a complete employment office set-up, because the Board did not feel it had enough money to last this fiscal year on that basis. So they said, "Here, you get a few months' start, but you can't get 6 months' start on your employment service set-up." You see, in most States the employment service is merely, well, I should say a hang-over from the National Reemployment Service, and is not adequately staffed as a complete State employment service, part of the United States Employment Service. Besides, the new State administrations do not have people trained in the taking of unemployment compensation claims, or the calculation of benefit payments based on past wages, and the like.

The CHAIRMAN. How are they going to get that training in taking unemployment claims?

Mr. RAUSHENBUSH. Part of it they will have to get on the job.

The CHAIRMAN. They can receive the claims, can't they?

Mr. RAUSHENBUSH. To a certain extent you can break people in, after you have your major decisions of administration policy made, your equipment ordered, your forms printed, all of which takes time. It is a tremendous administrative job.

The CHAIRMAN. Do you think it will take 5 months?

Mr. RAUSHENBUSH. I wouldn't want to do it in less than that. I might add one comment, if I may venture to offer it, since the question was raised by a member of your committee this morning. That is the question of the selection of that personnel.

The CHAIRMAN. What have you got to say about that?

SOCIAL SECURITY BOARD AND PERSONNEL SELECTION

Mr. RAUSHENBUSH. Well, personally, I very much regret that Congress told the Social Security Board, "You cannot have anything to do with the selection, compensation, tenure of personnel. You can have nothing to do with that. By specific prohibition, you just must not touch that."

Why should the Federal Board be given that power? Frankly, I am not one who believes that all of the wisdom in the country is centered in Washington. (There is a lot of it here, but not all.) Nevertheless——

The CHAIRMAN. You will admit there is some in Wisconsin?

Mr. RAUSHENBUSH. I think there is some in all the States; but I say, more important than almost any other one thing, is the selection of State administrative personnel on a straight merit basis. Now, in Wisconsin, we have a complete civil-service system. I, fortunately, have had no "patronage" handicap in creating our department and setting it up. We have civil service from top to bottom, and no politics in it. Without that, the job would be a very much more difficult job, I am frank to say, than it has been. It has not been child's play, even so; and I am sorry to see politics, in many of these States handicapping the administrators, who are working very hard to meet a tremendously difficult task. They have a mighty tough job on their hands this month and next month, even with competent personnel.

The CHAIRMAN. Would you say that the system, that inasmuch as the money to pay for the administration of unemployment insurance is coming entirely from the Federal Government, that the Federal Government should have the right, at least, to approve the system of administration of those funds within the State?

Mr. RAUSHENBUSH. In general, I am not anxious to give the Federal Government more control, as I indicated before, except as to civil service. I suppose the reason that clause on State personnel was put in was on the ground that the Federal agency should not interfere too much with the administration of State laws. But, if there is any one thing to assure that the money is not wasted, it is to see that the State people are fit to do their jobs, namely, that they are selected on a strict merit basis. For the rest, I think many of the State people have good judgment in dealing with local situations, and that the State legislatures can amend their laws from time to time. The most reasonable Federal standard I know would be the strict merit selection of personnel.

I have talked with a good many State administrators, and I know they are facing a heavier load right now than we have ever had. They may never face that heavy a load again, even in the worst depression, because now they have the accumulated backlog of several months of lay-offs. Their personnel is not always competent. There is one thing that will lead to difficulties in some of these various States, when they start paying benefits this month and next, and that is going to be incompetent personnel, due to the absence of a civil-service merit system of selection. The people who are trying to do a good job in the various States would have their efforts effectively supported if civil service were a requirement. I am not speaking of Wisconsin, because we have it there in the absence of any Federal requirement.

The CHAIRMAN. But, as a State official, you would not object to the Congress requiring that the system of administration be submitted to Washington for approval, when Washington puts up the money for administration?

Mr. RAUSHENBUSH. Senator, the system of administration now is fully submitted to Washington and discussed with Washington.

The CHAIRMAN. Do you submit the question of whether or not it should be the merit system or the patronage system?

Mr. RAUSHENBUSH. Under a specific act of Congress they have no control over that proposition.

The CHAIRMAN. They do not pass upon it?

Mr. RAUSHENBUSH. Not on the method of selecting personnel; but in other respects, the various items of purchases, and so forth.

The CHAIRMAN. But I am on the question of personnel.

Mr. RAUSHENBUSH. That is not now submitted; but it seems to me that Congress might properly legislate to require merit selection by State administrations.

EMPLOYMENT YARDSTICK

Senator LODGE. What you have said just now, Mr. Raushenbush, is music to my ears. I wanted to ask you this: Isn't it true that if we develop the employment service to the point where we expect it to reach, that we will then have an accurate and up-to-date yardstick on the proportionate rise and fall of employment by geographical regions?

Mr. RAUSHENBUSH. You ought to have a very much better yardstick than you ever had before, and it ought to be very current, too. It wouldn't be all inclusive; I mean, if you take, for instance, these claims, the figures I gave you for Wisconsin, a current figure on the number claiming benefits. Well, there is your current index of a sort you have never had before. That may not cover all people who would be covered by a census or enumeration or registration, but it will give you a better index than you have ever had before, in my judgment.

Senator LODGE. It will be, although not conclusive; the proportion of rises and falls ought to be very representative ought they not?

Mr. RAUSHENBUSH. I should say so. Your coverage is wide enough so it will be a representative figure.

Senator LODGE. Thank you very much.

The CHAIRMAN. Thank you. That is all.

UNEMPLOYMENT COMPENSATION IN WISCONSIN

Unemployment benefits began to be payable in Wisconsin 18 months ago—in July 1936.

Wisconsin's first 12 months of benefit payments were not typical, however, and cannot properly be used as a basis for estimating either (*a*) Wisconsin's future experience, or (*b*) the volume of claims and payments to be expected in other States during their first year.

There are a number of reasons why Wisconsin's first-year experience was not typical. Only two of these reasons need be mentioned:

(1) During those 12 months (July 1936 to June 1937) employment conditions were relatively favorable, and most of the workers covered by the Wisconsin law had steadier employment than usual.

(2) The benefit rights of Wisconsin workers did not begin to build up until July 1936, namely, the month in which benefits began to be payable. As a direct result, benefit rights and payments were very limited during the early months of the law's operation. (Benefit payments during the first 12 months totaled less than $1,000,000.) The law's maximum duration of benefits did not apply to any Wisconsin claimant until the close of the first year, i. e., July 1937.

In those States, however, which began paying benefits in 1938, benefit rights and credits have already accumulated for a year or more. So the maximum duration of benefits will apply to many of their claimants from the start.

This fact, taken together with heavy lay-offs during recent months, means a tremendous (accumulated) administrative load right at the start—and an even greater volume of claims and payments (in all these States) than Wisconsin has experienced during the past 6 months.

Aggregate benefits.—During the period July 1936 through December 1937, Wisconsin's aggregate unemployment benefit payments amounted to $2,262,654.69.

Number of beneficiaries.—During the same period (July 1936 through December 1937) unemployment benefit checks were paid to about 80,000 persons, out of some 435,000 then covered by the benefit provisions of the Wisconsin law. (This 80,000 figure includes many thousands of workers who have drawn only a few dollars in partial unemployment benefits.)

Well over half of Wisconsin's benefit payments to date (for the 18 months ending December 31, 1937) were made during the last 6 months of 1937, as shown in table 2, below.

In view of the above facts, and in view of the recent recession, Wisconsin's experience during the last 6 months of 1937 is of primary interest.

TABLE 1.—*Weekly figures on total unemployment benefit claims and renewals filed in Wisconsin employment offices during the 26-week period ending Dec. 25, 1937*

[These figures are compiled each week, from a count sent in by the various employment offices. They indicate the increasing volume of claims, and the changing administrative load. Many of these claims and renewals cover "waiting period" weeks. Some may not involve compensable weeks at all (in case of reemployment by the close of the waiting period)]

	Initial claims	Weekly renewals	Total claims in week	
			Number (columns 1 and 2)	Percent of 26-week average
	1	2	3	4
1937: Week ending on Saturday—				
July 3	1,736	4,774	6,510	42.6
July 10	2,531	4,339	6,870	45.0
July 17	1,390	5,693	7,083	46.4
July 24	1,518	5,185	6,703	43.9
July 31	2,932	2,177	5,109	33.1
Aug. 7	3,470	6,899	10,369	67.9
Aug. 14	1,821	8,486	10,307	67.5
Aug. 21	1,837	8,756	10,593	69.4
Aug. 28	1,845	8,454	10,299	67.4
Sept. 4	1,892	8,957	10,849	71.1
Sept. 11	2,590	8,640	11,230	73.6
Sept. 18	3,424	9,761	13,185	86.4
Sept. 25	2,361	10,072	12,433	81.4
Oct. 2	1,994	8,281	10,275	67.3
Oct. 9	2,241	8,752	10,993	72.0
Oct. 16	2,278	8,821	11,099	72.7
Oct. 23	4,011	9,334	13,445	88.1
Oct. 30	3,923	10,701	14,624	95.8
Nov. 6	4,347	11,172	15,519	101.6
Nov. 13	5,251	14,113	19,364	126.7
Nov. 20	6,367	17,883	24,250	158.9
Nov. 27	5,207	19,897	2.,104	164.5
Dec. 4	6,877	23,047	29,904	195.9
Dec. 11	7,003	24,298	31,301	205.1
Dec. 18	6,788	28,044	34,832	218.2
Dec. 25	5,381	26,302	31,683	207.6

Column 1: Each worker files an initial claim for benefits at the start of each series of weeks of total unemployment. (Some workers therefore filed more than 1 initial claim, within the above 26-week period.)

Column 2: While he remains unemployed and eligible, the worker renews (continues) his claim each week. (Each renewal currently filed covers a completed calendar week, in order to evidence the worker's continued unemployment throughout that week.)

Column 3: For any given week, column 3 shows the total number of different individuals currently filing claims in that week.

Column 4: Taking the average of all column 3 figures (for the 26-week period) as 100 percent, column 4 shows what percentage each week's column 3 figures is of that weekly average.

TABLE 2.—*Unemployment benefits paid in Wisconsin during the last 6 months (July to December 1937)*

1937, month—	All benefits		Total unemployment		Partial unemployment	
	Number of beneficiaries	Amount	Number of beneficiaries	Amount	Number of beneficiaries	Amount
July	8,962	$115,858.00	4,792	$81,605.22	4,463	$34,252.78
August	6,747	129,675.11	4,778	106,597.99	2,160	23,077.12
September	9,438	227,518.96	7,624	203,880.04	1,936	23,638.92
October	10,472	220,768.19	8,914	203,437.98	1,715	17,330.21
November	10,904	229,233.52	9,599	214,988.75	1,472	14,244.77
December	19,007	375,816.97	16,974	357,044.34	2,237	18,772.63
6-month total		1,298,870.75		1,167,554.32		131,316.43
Percent		100.0		89.9		10.1

Of the above figures, those relating to total unemployment benefits are the most significant for present purposes.

Twenty-nine thousand different workers drew 1 or more checks for total unemployment, at some time within the above 6 months.

The average check for total unemployment was $9.53 per week during the above 6-month period. This weekly average will probably increase somewhat in Wisconsin during the coming months, for two reasons:

(1) Under the law, increases in weekly benefit rates (and also in maximum duration) will apply to many workers, from March 1938 on.

(2) As the recession affects an increasing proportion of skilled workers, (with higher weekly benefit rates), the average of all weekly checks will go up accordingly.

Of the number of workers listed (in table 2, above) as receiving total benefits in any given month, some drew benefits each week throughout the month, while others drew for only 1, 2, or 3 weeks (because they became eligible late in the month, or returned to work within the month, or exhausted their benefit rights within the month).

Most of the 16,974 workers drawing total benefits in December were laid off in November and will probably continue to draw benefits during January and February.

About 15,000 additional workers have recently filed their initial claims, will shortly be completing their waiting period, and will accordingly become eligible for total benefits.

Most of these 32,000 workers—already laid off—will probably remain unemployed (and will exhaust their unemployment benefit rights) during the next few months.

Many of them may then be in need of further help and will have to apply for Works Progress Administration work, or for a relief grant.

If that is going to prove true of any considerable percentage of these 32,000 workers, it will mean a very substantial increase—within a relatively few months—over the number of employable persons now in need and seeking work on Works Progress Administration projects in Wisconsin.

If further heavy lay-offs take place in the coming months, many of those workers will in turn exhaust their unemployment benefit rights (within about 4 months after their lay-off) and may then join the ranks of "jobless, needy, but employable workers."

A similar situation will doubtless develop in all the States which are shortly starting to pay unemployment compensation.

Benefit payments will definitely help to sustain the purchasing power of each unemployed worker who receives them. They should serve as his "first line of defense" against unemployment—and should at least postpone the need for relief.

But the duration of benefits is strictly limited under all laws, based on past work and wages in covered employment. Even the maximum rights will normally be exhausted under present laws within 4 months (or 5 months, at most).

In short, unemployment compensation will serve as a "cushion" for many workers—while it lasts. It will doubtless slow down the increasing need for relief, to some extent, for a few months in each case. But unemployment compensation should not be expected to perform miracles in that respect.

TABLE 3.—*Comparative number of cases and amount of payments in Wisconsin. July–December 1937*

1937 month	Relief		W. P. A.		Unemployment compensation [1]	
	Number of cases	Amount of grants	Certified workers	Wages	Number of workers [2]	Benefits paid [2]
July	28,709	$578,438	40,092	$2,155,963	4,792	$81,605
August	27,415	599,590	36,126	2,026,803	4,778	106,598
September	28,262	642,735	34,578	1,936,425	7,624	203,880
October	31,712	747,687	34,599	1,943,445	8,914	203,438
November	36,267	875,656	34,919	1,979,098	9,599	214,989
December [3]	42,777	1,063,166	36,826	2,100,000	16,974	357,044
Total	----------	4,507,272	----------	12,141,734	----------	1,167,554

[1] The unemployment compensation figures given in the above table cover only total unemployment benefits—since these figures are more relevant to possible future increases in the relief and W. P. A. load than figures on "partial unemployment."
[3] The December relief and W. P. A. figures are estimated.

TABLE 4.—*Unemployment benefit checks received by relief cases in Wisconsin* [1] *during July, August, and September 1937*

Month	Cases receiving relief within month			Workers receiving benefits within month	
	All relief cases	Benefits within same month		All (5), (6), (8)	Relief same month (2)
		Relief cases	Benefit		
	(1)	(2)	(3)	(4)	(5)
1937					
July	28,709	188	$2,902	8,962	188
August	27,415	199	3,469	6,747	199
September	28,262	284	5,968	9,438	284

Month	Workers receiving benefits within month—Continued			Effect on column 2 cases of column 3 benefits		
	Known to relief agency		Other (not known)	Grant reduced	Relief stopped	Relief started as benefits stopped
	Cases	Benefit				
	(6)	(7)	(8)	(9)	(10)	(11)
1937						
July	(2)	(2)	8,774	93	9	5
August	2,157	[3] $18,086	4,391	135	10	8
September	4,678	[3] 43,041	4,476	197	19	4

[1] Wisconsin relief agencies have been receiving a carbon copy of each unemployment benefit check. (The above table includes both total and partial benefits.)
[2] Information not available.
[3] Column 7 does not include data for Milwaukee—not available.
The above figures are based on reports submitted to Wisconsin's Public Welfare Department, by the various relief agencies. (These reports may be somewhat inaccurate, by not including all relevant cases.)
Column 2 shows cases receiving relief and benefits within the same month (but usually not at the same time).
Column 4 is the total of columns 5, 6, and 8.
Column 5 is the same as column 2.
Column 6 shows how many workers (currently drawing benefits, but not currently receiving relief) were formerly on relief; namely, at some time since the records of the given relief agency were set up (usually about January 1933).
It does not necessarily follow, however, that all these workers would currently be on W. P. A. or relief, if they were not currently drawing benefits.
Other Milwaukee figures are not available for October, etc.

Cases receiving unemployment compensation benefits in Racine County in October and November 1937 by type of case, and month last active as relief cases

Type of case and month last active	Month of receipt of check			Total	Percent	
	October only (1)	October and November (2)	November only (3)		Total	Total relief
Relief:						
1935 or prior	237	34	59	330	31.9	60.0
1936:						
January–June	33	13	19	65	6.3	11.8
July–December	62	11	10	83	8.0	15.1
1937:						
January–March	14	6	7	27	2.6	4.9
April–June	2	2	1	5	.5	.9
July–September	9	2		11	1.1	2.0
October	8		2	10	1.0	1.8
November		5	14	19	1.8	3.5
Total relief	365	73	112	550	53.2	100.0
Total service	57	20	14	91	8.8	
Total not known to agency	240	63	90	393	38.0	
Grand total	662	156	216	1,034	100.0	

The total is an unduplicated total for the period of October and November. To get a total for all cases receiving checks in October add columns 1 and 2. To get a total for November add columns 2 and 3.

Date active was considered as the month last received general relief.

To determine the number of cases that received checks and relief within the same month for the period of October and November shown in column 4, add the 8 cases in column 1, the 5 cases in column 2, and the 14 cases in column 3 for a total of 27.

Applications for relief or service in Racine County in November 1937 by certification status, and benefit status, of the case as of Dec. 1, 1937

Certification status and type of application	Status in relation to benefits			Total	
	Benefits exhausted	Waiting for benefits	Ineligible for benefits	Number	Percent
Certified:					
Relief	10	29	11	50	14.0
Service		7	9	16	4.5
Subtotal	10	36	20	66	18.5
Not certified:					
Relief	5	25	25	55	15.5
Service	20	93	122	235	66.0
Subtotal	25	118	147	290	81.5
Total	35	154	167	356	100.0
Percent	9.8	43.3	46.9	100	

During November 1937 there were 791 cases receiving relief in Racine County.

UNEMPLOYMENT COMPENSATION LAWS AND STEADIER EMPLOYMENT—DISCUSSION

Will unemployment compensation laws result in serious efforts to provide steadier employment?

Only employers themselves can give answers of value, stabilization of employment will result solely from employer interest and efforts. If State legislation provides rewards which employers feel are adequate, definite, and certain, favorable action may be expected. Laws which lack such appeals can only result in increased unemployment.

The following statements (from lengthy letters in our files) indicate employer attitudes quite clearly and that under the incentives of a law based on the principle of "individual employer reserves" employers are making every effort to stabilize their employment. In many instances it is clearly stated that no such action would have resulted under a "pooled fund" law.

WISCONSIN MANUFACTURERS ASSOCIATION.

Walter J. Kohler, president, Kohler Co., Kohler, Wis.:

"We are thoroughly convinced that over a period of years the individual employer reserve type of unemployment compensation law will be many times as effective as the pool-fund type in regularizing employment."

H. W. Story, vice president, Allis-Chalmers Manufacturing Co., Milwaukee, Wis.:

"No man can be laid off without the approval of the employment control department which, of course, has information as to the employment requirements of every department. As a result, we have transferred men from the rectifier department to the transformer department; from the winding division to the transformer department and to the steam turbine department; from the switchgear department to the transformer department; from the switchgear department to the millwright department, to the small motor department, and to the tank and plate shops; and from the pattern department to the transformer and other departments. In other words, we are placing our men skilled in one line of work for whom there is a temporary shortage of work in jobs, in other departments where their professional skill adapts them to carry on a new kind of work.

"The net result of this system is (1) to give to the individual workman more regular employment and thus a higher annual wage, and (2) to familiarize them with various different jobs so that their production value is greater to the company, and, if they subsequently become unemployed, will be greater to the employees themselves by making them able to accept a wider range of jobs.

"We know that we are achieving a better regularization of employment for our employees in Wisconsin than we would if we did not have the stimulus of the Wisconsin law. I feel that what is the case with us would be the case with all employers throughout the United States if they had the benefit of a law similar to that of the Wisconsin act. I see a tremendous possibility for labor's attainment of their desire for more regular employment and a higher annual wage, by the adoption by all States of unemployment compensation systems of the 'individual reserve' type."

M. B. Folsom, Treasurer, Eastman Kodak Co., Rochester, N. Y.:

"I do not believe that a pool plan with any kind of merit rating would be as satisfactory or as direct an incentive to employers to reduce fluctuations in employment as the employer reserve system.

"I would strongly favor the employer reserve system with a small contribution to a central pooled fund, with the understanding that the individual employer reserve would be called on first for benefits and that the pool would be used only after the individual reserves had been exhausted."

N. A. McGrath, secretary, Bucyrus-Erie Co., South Milwaukee, Wis.:

"Nothing which we here report as caused by this law, would have existed under a pooled fund law, even though that law contained a promise of merit rating. We employ about 1,500 people in the State of Wisconsin. Although our foremen still recommend whether and who to lay off and whether additional employees are needed, one of the first changes which we instituted after liability for unemployment started on July 1, 1936, was that while all hires and fires still go through the manager of industrial relations as formerly, now in addition no actual hiring or firing takes place without the personal approval of our vice president in charge of manufacturing. We made this change because we felt that it was much simpler for two high officials to be unemployment-compensation conscious, than to expect the proper attitude to develop all at once throughout the shops.

"As a result of the above-mentioned change, we no longer have the spectacle of one department laying off men, at a time when another department is requisitioning additional labor. Each request for a lay-off is carefully scrutinized, in an endeavor to place the men somewhere else. Each request for additional help is carefully scrutinized, in an endeavor to see if the position cannot be filled by a transfer from where there is some slack.

"The net result of all the foregoing has been a surprising and unexpected reduction in unemployment liability. During the early days of the Wisconsin Act, before benefit liability started, when we were considering whether or not to

accept certain amendments to the law, we made an estimate of benefit liability, based upon then current turn-over. To our surprise, the actual figures have been less than one-tenth of the estimates, thus indicating a reduction of 90 percent in compensable lay-offs."

F. H. Clausen, president, the Van Brunt Manufacturing Co., Horicon, Wis.:

"An unemployment compensation law that contains no incentive to management to promote continuity of employment and reduce the obligation to pay benefits is lacking in one of the fundamentals that should exist in such legislation."

H. C. Gowran, president, Hamilton Manufacturing Co., Two Rivers, Wis.:

"Where it is absolutely necessary we build up our inventories to carry short-time employees over slack periods.

"This program naturally requires some very careful planning and extra expense by reason of interchange of help, spreading work, and increased inventories. Without some real incentive, such as we have under our present law, we simply could not afford to carry out many of these policies. * * *"

H. J. Rafferty, manager, Kenosha branch, American Brass Co., Kenosha, Wis.:

"As a result of the Wisconsin unemployment reserves law, there is no doubt but what we have found and will find ways of providing more regular work for our employees.

"As to those people who are in favor of a pooled fund, when they state that a reserves law cannot provide an effective incentive for employers to give steadier work instead of paying benefits, they simply have not had practical experience with it or have not thought the matter through to a logical conclusion. They also claim that the only purpose of unemployment legislation is to pay out the largest possible amount of benefits to unemployed workers. This we cannot agree with and recall that the original proponents of unemployment legislation stated that the object of it was to provide for regular employment and that the law as written should provide an incentive for the employer to do this. With one large pool for all employers, the employer would, of course, realize that it cost him no more to lay off his employees than it would to try to retain them, and consequently there would be no incentive for the employer to try to give work under a condition of this kind."

George C. Herrmann, vice president, Callaway Fuel Co., Milwaukee, Wis.:

"Any changes which would alter the character of our reserve account would be protested strenuously by our company, inasmuch as we have made every possible effort to spread the work in order to keep men steadily employed, and at the present time have paid less than $50 in benefits.

"As we see it, there can be no logical reason why we should contribute to the fund for other business people who are indifferent to their own employment problems. There is no doubt that if the law were changed to a pool fund, it would aggravate the condition because employers generally would not exert the same effort to keep down the payment of benefits, and it would mean increased labor turnover and labor costs."

J. F. Asell, auditor, Ansul Chemical Co., Marinette, Wis.:

"There is no question in the mind of any member of our organization but that the Wisconsin unemployment benefit law, with its provision for individual employer reserves, is the best method to bring about stabilized employment."

A. P. Gilbert, president, the Gilbert Shoe Co., Thiensville, Wis.:

"Pooling the funds would break down what this law is intended for, as there would be no reason for any one manufacturer to work out plans to regulate his production and labor turn-over so it would enable him to conserve his reserve.

"First, we arranged our in-stock department, so that during in-between seasons our employees were kept busy working on stock. This stock department took care of our increased volume during peak seasons when orders far exceeded our production. There were times when we felt the need of increasing production, but held off and used our in-stock department to take care of the overload. This did not alone lower our labor costs, but gave us more efficient workmen. It also enabled us to keep our employees contented, as on pay day they received a full week's pay.

"We now have $8,117.22 in our reserve fund and we are proud to say that we haven't as yet paid out one cent for unemployment insurance and we hope to keep this record clean until we have our quota in reserve."

John T. Brown, vice president, Chain Belt Co., Milwaukee, Wis.:

"We have devoted so much time and effort to employment stabilization we find that we are getting benefits besides those of a low unemployment compensation cost. The men naturally are better satisfied, the problem of breaking in and training new workers is greatly reduced, and through our practice of shifting

workers from one type of work to another, we are developing a more flexible working organization which is very advantageous in a business such as ours.

"If you so desire, you can use this information in any way that seems advisable to you for preservation of our reserves type of law, because we are confident that as a result of the incentive feature in this law we have done things to stabilize our employment which has been both beneficial to our employees and to ourselves and know that a great many other companies have done the same."

W. C. Abendroth, Treasurer, Robbins Flooring Co., Rhinelander, Wis.:

"When we look back to 1929, when we were operating at capacity, we find where we would lay off men or take on additional men, for practically no reasons at all. Today our labor turn-over is practically nothing and we have regulated our production so that all of our employees receive at least the amount of the benefits they would receive if unemployed.

"The incentive to work out this program is of course entirely due to the reserve system used in the Wisconsin law.

"We are certain if it were not for this reserve system that we would pay far less attention to this matter of unemployment because we would feel like everybody else, that it makes no difference to us whether we laid off men or not, it would be paid out of the pooled fund anyway."

W. E. Malzahn, Treasurer, West Bend Aluminum Co., West Bend, Wis.:

"Our study and experience has led us to believe that we have the best unemployment compensation law of any State that has passed such legislation up to date. In addition, we believe that we have the best administered unemployment compensation law. Our law is fair to the employee and also gives the conscientious employer, who is seriously striving to do a good job in managing his business, adequate compensation for his serious efforts.

"It is our definite goal to manage our business in such a way that eventually our unemployment compensation tax will be reduced to the minimum amount permitted by law. In order to accomplish this we are spending more time than ever before on analysis of markets with the idea of being better able to anticipate demand. We have also increased our staff of technical men for the purpose of having better production planning and control. Our Wisconsin unemployment compensation law gives us a strong incentive to work along these lines. Furthermore, it is a source of satisfaction to us to know that whatever tax we pay will go to pay our own unemployment compensation benefits, and that we will not have to pay for the mistakes of others."

H. E. Sawyer, vice president and treasurer, MacWhyte Co., Kenosha, Wis.:

"The real reason for any unemployment compensation law in my opinion is to eliminate unemployment just as far as possible and I believe that the Wisconsin law as set up with its individual employer's reserve actually does this very thing, whereas, the pooled fund laws gives the individual employer no incentive to give the men steady work."

W. H. Thom, president, Marathon Battery Co., Wausau, Wis.:

"As a result of closer relationship and careful analysis, we find our workers are more steadily employed with the result of less labor turnover which results in lower labor costs to us.

"All of the above comes from the keen interest in our own individual reserves fund. It is only natural that we have much more interest in this fund than if it were thrown into a pooled fund."

J. F. Costello, treasurer, Jacobsen Manufacturing Co., Racine, Wis.:

"We feel that considerable benefit accrues to employers and employees alike under the individual reserve law which, in our opinion, is not found under the pooled fund. We regard our deposit at Madison as our own individual fund and try in every way to prevent any reduction being made in the fund. We have leveled out employment considerably during the past year and a half and we believe this works to the best advantage of both the employer and employee. So far, we have only had one charge against our Madison fund.

"If we operate under the pooled system there might be a tendency to throw safeguards to the wind because, after all, we might be spending money which other people had contributed. As long as we know we are spending out own money, we are going to be more careful with it."

Frank Handeyside, general manager, Rib Lake Lumber Co., Rib Lake, Wis.:

"If we are to have some form of unemployment tax in Wisconsin, then and in that case, we are opposed to any form of "pooled-fund" law, for the following reasons:

"Such a law will tend to protect the employer who does not care—who makes no effort to balance or maintain employment, and that in his case, the funds for the tax would come out of the "pool."

"It would discourage the employer who is striving to balance employment, in that it would make for an unfair and unequal tax on the employer of labor."

H. E. McGraw, secretary, Menominee Bay Shore Lumber Co., Soperton, Wis.:

"We feel that the Wisconsin reserve plan is much better than any pooled plan would be. Under the pooled plan the employers would not be so careful in giving steady employment to its employees, and we believe the cost would be much more than under the reserve plan."

A. M. Webster, president and treasurer, Crescent Woolen Mills Co., Two Rivers, Wis.:

"Our line of business is in the nature of a subcontractor in that we service knitting mills and have no direct contact with the consumer except through these knitters, so that we are dependent on their orders to level off employment and we cannot stock as individual requirements prohibit that, but, fortunately our customers are trying to level off * * *."

Assistant secretary, Sterling Wheelbarrow Co., Milwaukee, Wis.:

"The present method results in a more satisfied employee by reason of his being able to earn a full-time wage, and, we feel, prevents labor turnover and consequently lower labor costs. Our operating costs clearly indicate a decided and steady improvement by the fact of having our employees steadily employed."

W. C. Nemitz, assistant treasurer, Snap-on Tools, Inc., Kenosha, Wis.:

"Outside of the monetary incentive under the 'reserve' plan, from an employer's standpoint, the pooled-fund plan is the easiest form for an employer to operate under because he can then continue to hire and lay off as was the practice in past years; but that defeats the whole purpose of the unemployment-insurance law.

"The only way that employment can be stabilized is through an individual incentive plan, such as Wisconsin now has."

D. L. Carrington, treasurer, L. J. Mueller Furnace Co., Milwaukee, Wis.:

"Of course, the principal reason for this law was to level off employment and thereby prevent unemployment and hills and valleys in employment. Our own experience has proved the practicability of the act in this respect and we feel that it has forced us to develop a much more economical and efficient system of employment.

"The heating industry is very seasonable and the tendency is to employ accordingly. The Wisconsin unemployment compensation law practically forced upon us a complete analysis of our employment problem and has definitely resulted in a much more intelligent handling of the employment situation. The planning of production has been materially improved. Employment control has been centralized and employees are constantly being transferred from one job to another in preference to lay-off."

P. H. Marks, general manager, Rock County Sugar Co., Janesville, Wis.:

"Wish to state that this company is certainly in favor of the individual employer's reserve type of unemployment compensation law."

W. H. Schleck, secretary and treasurer, Young Radiator Co., Racine, Wis.:

"We believe under the pooled fund laws there is no incentive for an employer to hold down the payment of benefits as is the case with the individual employer reserves law which we are working under."

E. Q. Bangs, assistant secretary, Hamilton Beach Co., Racine, Wis.:

"One of the main incentives of our unemployment laws is that an employer who consciously observes this law and endeavors to straighten out his line of employment earns a reward in the shape of reduced contributions where his contribution is earmarked as his own.

"Should the contribution to the unemployment reserve be pooled, such incentives would be removed, for unless there is an individual, a corporate, or a partnership interest, the tendency would be to continue employment as it is now, or as it has been in the past, and increase employment to peaks as demands indicate, and to lower employment to the valleys as the peak demand passes.

"*The pooled fund would certainly be a step backward to old-time employment conditions.*"

Myron T. Ray, secretary-treasurer, Thilmany Pulp & Paper Co., Kaukauna, Wis.:

"Our company is definitely sold on the Wisconsin Unemployment Compensation Act, as opposed to any pooled-fund type of law, for we believe that it strikes at the root of the unemployment problem, by giving employers a real incentive to regularize employment.

"A pooled fund law would not cause us to do much thinking about this problem, for we would pay the same whether we did a good job on the fundamental problem or not. We do not believe experience rating under a pooled fund law is practical or will result in a lower tax. In our law it definitely has that effect."

A. H. Wickesberg, treasurer, Appleton Woolen Mills, Appleton, Wis.:

"As between the 'pooled' and 'reserve' type of unemployment insurance, we are absolutely in favor of the reserve system.

"In the pooled system, the first one calling for money gets it, that means there is no real financial incentive to regularize employment. The fund is so large that each employer figures there will be enough for his employees—and he goes on with his employment policy as he always has. He figures he must pay anyhow, so why change—why change when other employers will pay for it.

"It seems to us that the fundamental thought of unemployment insurance goes deeper than only to help for a time in case of involuntary unemployment. The basic purpose is to make it worthwhile for the employer to try to give regular employment and consequently provide steady income for his employees.

"For this purpose the reserve system provides the mechanics. If we provide steady employment, there is no drain on our individual fund. Consequently, we can build it up and stop additional payments. The pool-system employer continues to pay.

"Likewise, the employee working under the reserve system knows a fund is being built up for the employees of his plant, that this fund cannot be wasted or misused by carelessness or stupidity in the management of some other plant.

"It appears to us that only ignorance of the facts or politics can be the basic reasons for not supporting the reserve plan."

KAUKAUNA, WIS., *February 25, 1937.*

ROBERT LEACH,
Claypool Hotel, Indianapolis, Ind.:

Reply your inquiry our union enthusiastic about reserve-type unemployment compensation law. It works. No member our union has lost a day since it went into effect and we would have under any other plan. We believe it vastly superior to pooled fund.

JOHN REYNEBEAU,
President, Local No. 20, Brotherhood of Papermakers.

KAUKAUNA, WIS., *February 25, 1937.*

ROBERT LEACH,
Claypool Hotel, Indianapolis, Ind.:

You ask what labor thinks of unemployment compensation law. It has resulted here in absolutely full-time work. Without it there would be much lost time right now in some departments. It goes a long way toward solving unemployment problems. Pool type no solution, just a dole.

JOSEPH SIEBERS,
Chairman, Unemployment Compensation Committee, Local No. 147, Brotherhood of Pulp Sulphate and Paper Mills Works.

GEUDER, PAESCHKE & FREY CO.,
Milwaukee, Wis., February 24, 1937.

WISCONSIN MANUFACTURERS ASSOCIATION,
Madison, Wis.

GENTLEMEN: This company wishes to go on record as approving without reservations of any kind, the individual employer reserve plan for the administration of the unemployment insurance reserve law. The conclusion reached is the result of the actual regularization of employment that this company has perfected since the law was passed. We frankly admit that the effort that has been put forth by this company is due to the fact that it was our own record of employment that was to be the determining factor in the contribution rate, and the advantage of maintaining our reserves as a result of our own efforts.

At the close of the year of 1934, we made a check-up of our operations by applying the law as though the payments under it had been effective during that year. The result showed that due to irregular operations, this company would have been called upon to make benefit payments in the amount of approximately $33,500 without any services rendered therefor. Needless to say, such a staggering amount set everyone thinking about this problem and devising ways and means for its elimination.

At the end of 1935 another check was made, which showed that approximately $16,000 would have been required to meet the demands of the law.

Again at the end of the first 6 months of 1936 a check was made, indicating that approximately $6,000 would have been paid during the first half of the year had the law been effective. Of this $6,000 the investigation revealed that it was the result of our old custom of shutting down 1 week in which to take inventory. As a result of this discovery, no shut-down was made for inventory time at the end of 1936, with the result that our operators received 40,000 more hours of work and that the company was not subject to payments under the act.

Up to the present time we are very much gratified to be able to say that the benefits paid under the law since it became operative as of July 1, 1936, amounted to only $30.60.

All of this progress in the regularization of employment has been made by training our force so that men employed on finishing operations became efficient operators on parts and vice versa, with the result that in the low periods of production we are keeping our people employed by working on parts and taking parts operators for assembly operations during the peak production periods. This has meant very substantial investment insofar as training costs are concerned, but we feel that it was the only thing to do to meet the objectives of the law, and we have found it profitable as well. Our employees have received this plan of learning more than one job in good grace as they have found that their annual income is benefited by so doing. We have had practically no labor turnover as a result of irregular operations during 1936.

We employ approximately 1,000 people and at the present time we have built up a reserve amounting to $51,864. Since this company does an interstate business and has been under the disadvantage from a cost standpoint to the extent of payments made into the fund, it was, naturally, a matter of great interest to us to build up this fund and to maintain it in order to become more competitive with our competitors located in other States, and it was this urge that led us to take steps to avoid payments which would jeopardize the reserve when once accumulated. There can be no question but what the Wisconsin plan is by far the better plan, since it provides the necessary incentive to each employer "to get and keep his house in order."

Very truly yours,

FRANK FREY, Jr.,
Executive Vice President and Treasurer.

FAIRBANKS, MORSE & CO.,
Beloit, Wis., February 22, 1937.

Re individual employer reserves versus pooled fund laws.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

GENTLEMEN: Relative to your inquiry regarding a comparison of the two subject types of unemployment insurance laws, we feel that from a manufacturer's as well as the employees' standpoint the individual employer reserves method is far superior. It has been proven over the past 7 months to our entire satisfaction that it tends toward more steady employment for our employees. This cannot be otherwise, because the incentive offered each manufacturer in the reduction or elimination of his contributions, which in our case amount to more than $8,000 per month, forces a manufacturer to give considerable thought to the problem of steady employment. We have been doing this since the starting of benefit payments and feel that we have accomplished a great deal. For instance, up to and including the week ending January 23, we have contributed toward this fund approximately $190,000 and have had 22 claims, the total amount of which was $366.45. When you consider that we have approximately 3,200 employees, a labor turn-over of 22 employees in 7 months is something we never dreamed of before becoming subject to unemployment insurance laws, and I feel that 10 times this number would not be excessive if we were operating under the pooled-fund laws.

Since payments have begun, we have organized an unemployment department consisting of one man and two assistants, whose sole duties are the elimination of unemployment. Each morning this department gets a report of the number of hours worked the preceding day by all of our employees. If a man did not work the previous day an investigation is made immediately to ascertain whether or not his absence is due to personal reasons or to reasons for which we might be

responsible. These hours are accumulated weekly, and no man is allowed to earn less than his benefit rate without very good reasons.

No man can be laid off or discharged or transferred without first taking it up with the unemployment department. They, in turn, cooperate with the employment department and in this way find another job for the employee. I might add here that of the 22 claims conceded to date practically all of them have been due to inefficiencies beyond the 3-week probationary period and other reasons which made them undesirable employees.

This department also follows very closely all new employees and advises supervision at the end of the second week that 2 weeks of the probationary period have expired and that only 1 week remains and insists upon the supervision checking these employees on the present job, with recommendations for transfers if they might be better adapted to another class of work.

This department would be unnecessary under the pooled fund laws because there would be no incentive in our company attempting to stabilize employment when we feel sure that the general attitude of other employers would not be in harmony with the idea and we know from past experience that concentrated efforts by a combination of employers would result in a great many of them letting the other fellow do the work.

Since the inception of the unemployment-insurance laws there has been created in our company a committee composed of one executive from the manufacturing division, one from the sales division, and one from the administrative department who give considerable time to inventories as related to production and sales, and they have made remarkable progress in equalizing production through the building of inventories. This has necessitated additional capital; but if through their efforts steady employment can be maintained and contributions discontinued, if our reserve reaches the proper amount, we consider the time given and the cost of the additional capital well worth while.

Our shop supervision have also given considerable thought to stabilization of employment outside of production, such as maintenance of buildings and machinery, rebuilding of machinery and equipment, rearrangement, and other expense items that can be shifted from busy periods to slack periods; also scheduling this work so that inside work can be done during the cold weather and outside work during the warm weather. All this has necessitated a great deal of thought but adds considerably to maintaining more equalized employment.

We have no objection to your using this letter in any way you may see fit which will further the idea of the individual employers' reserve laws throughout the country.

Yours very truly,

A. E. ASHCRAFT,
Vice President and General Manager.

NUNN-BUSH SHOE CO.,
Milwaukee, Wis., February 22, 1937.

UNEMPLOYMENT BENEFIT ADVISORS, INC.,
Milwaukee, Wis.

GENTLEMEN: We wish to put in our plea for the individual employers' reserve type of unemployed compensation law as opposed to pooled fund laws.

We are convinced that in no other way can a State secure intelligent handling of its industrial problems as through this "Wisconsin" method.

The great need in industry today is a realization on the part of the employer to give his workers annual income and security of job. Through the means of this law we are helping the employer and giving him an incentive to do that.

In our own factory, we instituted a system of security of job and 52 pay checks a year 85 weeks ago. We naturally benefit through the Wisconsin type of unemployment law, and it is right that we should. Needless to say, our employees approve of this kind of a system, and we believe the working man and woman in every State would be serving their best interests to favor this kind of a law.

Respectfully,

H. L. NUNN.

FREEMAN SHOE CORPORATION,
Beloit, Wis., February 19, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

GENTLEMEN: We write this letter to express our views in connection with the Wisconsin unemployment insurance law, and especially to defend that part of the law which creates individual reserves.

We believe the individual reserve method creates a strong incentive for manufacturers to regularize their employment. We did so during the last 6 months of 1936 and paid total benefits of only $20.05, whereas our reserve account at the end of 1936 was $47,570.80.

You can readily see we look forward to the day when our contributions will not only be reduced but will be stopped entirely, except as we may be required to make minor contributions to cover the small benefit payments.

Furthermore, upon analyzing our operations since starting in business in 1921, we can see no reason why a similar record could not have been made all during the last 16 years, and, therefore, look forward, with hope, to having low benefit payments each year in the future. All businesses can, in a measure, reduce their benefit payments if there is an incentive for them to do so, and we feel the reserve system creates that incentive, whereas the pooled system will create waste and add further tax burdens on the shoulders of American industry.

Yours very truly,

H. T. CARY, *Secretary-Treasurer.*

ALUMINUM GOODS MANUFACTURING CO.,
Manitowoc, Wis., February 25, 1937.

WISCONSIN MANUFACTURERS ASSOCIATION,
Madison, Wis.

(Mr. R. W. Leach.)

GENTLEMEN: We wish to refer to your circular letter of February 18 to Mr. A. J. Vits, regarding employer reserve versus pooled-fund laws. This letter was referred to the writer on account of Mr. A. J. Vits being out of the city.

The main object of the individual employer reserve was to try to stabilize employment. The employer who really planned his work and who built up his finished stock during the slack season should be compensated for his efforts. This is the same as the liability insurance. The company that spent money for safety devices and educating their employees along safety lines receives a better rate than those who have not given the safety problem the same consideration.

Our company has planned its work very carefully and during the slack seasons we have built up our stock so that we were able to give good service when the busy season approached. This requires considerable investment in raw material, labor, finished product, and also considerable storage for the finished articles.

We also found that it was necessary to educate our employees so that they could be transferred from one department to another wherever and whenever necessary. By doing this, we have paid out very little out of our reserve fund, and at the present time have about $140,000 to our credit in this fund. If for some reason or other the law should be changed and do away with this individual reserve, then it becomes merely a tax, and there will be no object for us to plan our work so as to give steady employment and neither will it be necessary to make the investment in finished stock and warehouses to carry this reserve stock. If they really wish to have steady employment, then they must make it worth while for the employer.

We sincerely hope that no change will be made in this individual reserve, because if they do, we are afraid that the unemployment-compensation law will be a failure.

Yours very truly,

H. L. VITS, *Vice President.*

THE LOUIS ALLIS CO.,
Milwaukee, Wis., February 22, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

Re: Unemployment compensation law.

GENTLEMEN: It is with much regret that we learn that there is a contemplated action in the State of Wisconsin whereby the individual employer reserves will be scrapped and the pooled-fund laws will take their place. We believe that this

would be a very bad principle as the exact thing the law is intended to accomplish will be completely disregarded by allowing the pooled funds rather than the individual employer reserves.

Under the individual employer reserves our company has made a special effort to stabilize employment to such a degree that up to the 1st of February, 1937, no amount had been paid out against our reserve. In this manner, through special effort on the part of our management, we are stabilizing employment, which is the prime intent of the law.

Also, by living up to the intent of the law, we will build reserves to such an extent that possibly next year our contribution percentage will be reduced. Naturally, if our company has made a special effort to stabilize employment and has built up a sufficient reserve to cover our employees, we believe that we should be entitled to the reduced rate of unemployment insurance, and this can only be accomplished by the individual employer reserves as we now have them in the State of Wisconsin. We can see no reason why our company should be forced to contribute toward the reserves of other companies who do not make the effort to stabilize employment as we do.

We believe that, should the pooled-fund law be substituted for our present system, it will create a large labor turn-over for the reason that the incentive of reducing cost by stabilizing employment will be gone. Also, the smaller the labor turn-over the more efficient labor is, and naturally costs are reduced accordingly.

Therefore, we urgently request that you do all you possibly can to retain our present and very desirable individual employer reserves system which is now operating in the State of Wisconsin.

Yours very truly,

E. P. ALLIS, *Vice President.*

THE FALK CORPORATION,
Milwaukee, February 23, 1937.

WISCONSIN MANUFACTURERS ASSOCIATION,
Madison, Wis.

(Attention Mr. Robert W. Leach.)

GENTLEMEN: We are firmly convinced of the fact, and believe experiences will later prove it to be true, that unemployment compensation acts cannot stand up in a severe depression. Therefore we believe that the sole and very worth while benefit of unemployment compensation is that it serves as a stabilizing influence upon the employment programs of employers during normal or slightly subnormal times.

State legislators in Wisconsin agreed with this and drew up unemployment compensation legislation best suited to accomplish the purpose of stabilizing employment under average economic conditions. The Wisconsin law has given the employer an individual incentive to balance his employment program. The law has also given each employer the assurance that the efforts made in stabilizing his own employment would be rewarded. Therefore the Wisconsin act accomplishes the only purpose such legislation can possibly be expected to accomplish.

Referring to our own experience we can made this general statement that our labor separation has been practically zero. Even taking into consideration the business upturn we find our employment far more stable than in other times of similar prosperity when general good business was accompanied by fluctuations in employment in various departments.

Today, due in a great measure to the effects of the Wisconsin unemployment compensation law, our departments have fluctuated only minutely in regard to employment.

We have undertaken certain projects to help us take advantage of the rewards offered for stable employment under the Wisconsin law.

1. A standardization of small products, inventory of which can be built up safely during slack periods in larger work.

2. The comprehensive program of apprenticeship training guided by our estimates of future business fluctuations.

3. An interchange of men in different departments to take care of any slack period which may occur in one department, especially interchange between welding department and foundry.

The aforementioned interchange will also serve to ease the unemployment which might come to foundrymen as welding processes replace casting processes.

4. A plan to utilize our own men in maintenance and repair work of a character which at present we find it advisable to contract for on the outside.

Place us on record as opposed to the pooled-fund type of unemployment law and as favoring, experience backing our opinion, the individual employer reserves type. We would be very reluctant to pour our money into a pool, the leaks in which we had no power over.

Yours very truly,

RICHARD S. FALK.

P. S.—You may use this letter in any way you deem advisable.

R. S. F.

ED. SCHUSTER & CO., INC.,
Milwaukee, February 19, 1937.

WISCONSIN MANUFACTURERS ASSOCIATION,
Madison, Wis.

GENTLEMEN: In reply to your letter of February 18 regarding our experience under individual reserve plan of unemployment compensation, we are very glad to report as follows:

1. Operation under this plan has resulted in more stable employment, which in turn has produced a greater feeling of security among our employees, and has enabled us to operate more efficiently in many departments. Stabilization was obtained by the following methods:

a. Substitution of departmental sales events for general store-wide events. This has enabled us to train and use people in more departments, has eliminated store-wide peaks, and has generally leveled off unusual and artificial peak loads for both selling and nonselling workers.

b. Better preplanning of departmental moves at Christmas and other seasons. Instead of doing all of this work in one evening, it has been spread over a period of time and in that way has enabled us to stabilize work for our own employees.

c. Better preplanning of maintenance work and capital expenditures by our own mechanics. Many times it is immaterial whether a floor of a building is painted in one month or in another, and it is possible to schedule this work so that it falls during a specific season. The same is applicable to the construction of such items as special Christmas fixtures, etc.

d. Use of outside contractors when their own work is slack so as to enable them to maintain stability among their own employees, and it also eliminates the necessity for us to take on extra employees for a short period.

2. In department store work we believe the biggest aid in stabilizing employment is training so as to enable an employee to perform more than one type of work. There is, of course, a limit to which this can be carried, but in many cases personal preferences of buyers and department heads have in the past prevented transfers between departments. With an unemployment-compensation law as an incentive or as an inducement, it is much easier for the management of the store to convince buyers and department heads that wider training of certain employees is essential. Incidentally, also, unemployment compensation under the reserve type of law will naturally compel an employer to use greater care in selection, training, and placement.

In conclusion, we wish to advise that we have given considerable study to the various types of unemployment laws and feel very strongly that the individual reserve type is by all odds the fairest to the employer and the employee.

Yours very truly,

HUGO KUECHENMEISTER,
Controller.

FRIED, OSTERMANN CO.,
Milwaukee, Wis., February 23, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

GENTLEMEN: In answer to your letter signed by Mr. Leach, dated February 18, we are pleased to tell you that the individual reserve-fund plan of unemployment insurance has been of great benefit to us. We have been working on plans for more than a year and a half to regularize employment. Formerly we had two lay-off periods, one in the month of July and one in the month of January. By careful planning we have been able to eliminate the July lay-off entirely.

In our glove factory it was possible to so distribute the work that there were practically no unemployment benefits paid. In other words, we have succeeded

in regularizing the employment in this particular division. In our garment division we have not as yet been entirely successful, but at this time, February 22, practically our entire force has been recalled and unemployment benefits will probably not be payable to anyone for more than a period of 3 or 4 weeks. Naturally our employees are more satisfied with this arrangement but unfortunately we can offer no comments directly from them.

Insofar as lower costs are concerned, our unabsorbed overhead has shown a very remarkable decrease, and we believe at least part of this is due to the effort to regularize employment. These results have been obtained largely by production planning. We had already centralized employment control. In our line of business it is quite difficult to train for interchangeability so that about all that we can do is to spread the work among the employees and plan our production carefully.

We would be glad to have you use our name and that of the writer.

Very truly yours,

RICHARD G. FRIED, *Treasurer.*

ANSON & GILKEY CO.,
Merrill, Wis., February 24, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

(Attention: Mr. Leach.)

DEAR MR. LEACH: We have your letter of February 18 and needless to say, are very much disturbed at the State administration entertaining even a thought of changing from the "individual employer reserve" to the "pool fund" in regard to unemployment insurance.

We unconditionally endorse the "individual employer's reserve" as the only equitable method of handling unemployment insurance funds.

The following is a résumé of our efforts to regularize employment and obviously our reason for doing this, is to avoid paying benefits, and consequently our "individual reserve" will increase to the extent that ultimately our contribution rate will be reduced:

1. Booking business ahead during the cold weather for spring delivery and avoiding seasonal rush.
2. Concentrating sales efforts on accounts in the South, to compensate for business lost in the North, during cold weather.
3. Consummating sales contracts with our customers for stock requirements to be delivered at regular periodical intervals.
4. Centralized employment control.
5. Manufacturing our products to a more finished state than previously.
6. Manufacturing more diversified items kindred to our business.

All above inclusive: Result.

1. Regularizes employment.
2. Reduces labor turn-over.
3. Better production planning.
4. Lower unit cost.
5. Increased sales.

It is our frank opinion that all employers would not extend their concerted efforts under the "pool fund" as they are now doing under the "individual employer reserve" type of unemployment-compensation law.

The writer has had considerable experience in installation of both individual and group wage incentives in our industry and without exception has found that the nearer the incentive could be applied to the individual the better the results would be and this should also be applicable in this case.

If expedient, you may use the information contained in this letter together with our company's and writer's name to further the cause of "individual employer reserves" type of unemployment-compensation law.

Sincerely yours,

EMIL SEMLING,
Secretary-Treasurer.

WALKER MANUFACTURING CO.,
Racine, Wis., February 23, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.
(Attention Mr. R. W. Leach, Assistant Secretary.)

GENTLEMEN: In response to your letter of February 18 we wish to offer our reasons as follows for the continuance of the present Wisconsin Unemployment Insurance Act.

As employers we are faced with the problem of paying a premium in the form of a varying tax up to a maximum of 4 percent on our entire Wisconsin pay roll for the payment of unemployment benefits. We are interested in the regularizing of employment in order that the fund be maintained intact for the benefit of our employees. Our only answer to the question of individual employment reserves versus pooled fund laws is our experience from July 1, 1936 (the date benefit payments began) to January 1, 1937, during which period our total benefit payments paid were $7.50, which is less than one-tenth of 1 percent of our contribution to the fund during the same period. If we maintain employment regularly, then we shall reach the period when our contribution can be eliminated, and the saving of this form of tax will be the reward.

Certainly the employer who is making an honest effort to reduce unemployment is entitled to some relief in this form of taxation, otherwise our state of mind becomes totally indifferent with the result that the tax reaches a point beyond the ability to pay and the entire tax program collapses.

Any efforts made by you or your organization in the direction of maintaining the present law will be much appreciated.

Yours very truly,

W. T. WALKER, *President.*

P. S.—You have our permission to use this information.

NASH-KELVINATOR CORPORATION,
Kenosha, Wis., February 22, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

GENTLEMEN: We are informed that efforts might probably be made to establish a pooled system of unemployment-insurance reserves in Wisconsin and other neighboring States. We have been asked to express our opinion as to what we consider the best system, the pooled or the reserve system.

We have been following the Wisconsin law for many years and during the last 5 years have been intimately connected with the drafting of the law and establishment of voluntary plans of unemployment insurance, and from our contacts and experience we are of the definite opinion that the reserve type of law set up for each employer is the best system for the reason that every employer is more interested in providing steady employment for his workmen, in view of the fact that he will be charged out of his fund for any unemployment occurring in his establishment.

If a pooled fund is established, then the employer pays into the general fund or pool according to the rating which might be established for his plant, but which of course, could not be definitely set until at least 5 years have elapsed and there is some experience to base the rate on.

In Wisconsin we have already been paying benefits and have a well-established law in full operation. It has been satisfactory both to the employee and the employer, and it is a well-known fact that employees feel a greater loyalty and a greater attachment to their own employer, due undoubtedly to many personal events in his life, which the employer knows of and gives assistance to the employee. If a pooled fund is established, there will be a loss of that loyalty and cooperation now existing in Wisconsin between employees and employers. Where a reserve fund, as in Wisconsin, has worked out efficiently and easily, it is unfair to establish a general fund, thus placing a penalty against efficient management and doing nothing to stimulate good management on the part of inefficient organizations.

We are unqualifiedly opposed to the pooled fund system and positively in favor of the individual employer reserves system.

Yours very truly,

H. J. MELLUM, *Secretary.*

HARLEY-DAVIDSON MOTOR CO.,
Milwaukee, Wis., February 24, 1937.

WISCONSIN MANUFACTURERS' ASSOCIATION,
Madison, Wis.

GENTLEMEN: You may be interested to learn of the steps we have taken to provide more regular work since Wisconsin's unemployment compensation law became effective. They are as follows:

1. We changed the date of bringing out new models from summer time to mid-winter or late fall which had the effect of increasing our winter business and tapering off our spring business. The summer season, which was a very poor one because buyers were waiting for the new models which were to appear shortly, was greatly improved.
2. We induced the finance companies to handle additional quantities of machines on the floor plan.
3. We laid out our production on an extremely conservative basis and urged our dealers to place their orders early as a shortage of motorcycles was apparent.
4. We rotated employees from slack to busy departments from time to time.

The only evidence we have of the effectiveness of these plans is that not a single charge against our reserve has been made because of unemployment due to lack of work. While we realize that this record cannot be maintained, we feel that the efforts in this direction will always be beneficial to both the employee and employer.

Yours very truly,

WALTER DAVIDSON.

(Witness excused.)

The CHAIRMAN. Some weeks ago, as chairman of the committee, I wrote some letters to the governors of various States of the Union, the editors of daily newspapers of the Nation, a number of business leaders, labor leaders, and agricultural leaders. With the communications in that letter, I forwarded a copy of the resolution under which this committee is acting, and asked those persons if they desired to make any suggestions with reference to the subjects set forth in the resolution. The responses to that communication have been assembled by counsel for the committee, and a copy of those letters with separate statements from different leaders, newspaper editors, governors, and so on, has been made, and I want to place them at the disposal of the committee and of the press, if they are at all interested.

(Document referred to is as follows:)

TECHNOLOGICAL UNEMPLOYMENT

BUSINESS LEADERS

F. P. Adams, chairman, board, Air Reduction Co., New York, N. Y. (business advisory council)

1. Statement of the problem: "In the present highly organized state of society are labor-saving inventions proceeding at a higher rate than industry can absorb in other occupations those displaced by the new devices; and if so, what can be done about it?"
2. Illustration of benefits of labor-saving devices: "When a giant casting breaks our products weld it together in a few moments of time." Labor for a new cast is rendered unnecessary. "But it may be equally true that we have been able to maintain a continuity of production in the first plant that would have been interrupted by the accident. Who is to estimate the net effect on employment of this incident?"
3. Present employment situation: "The total of employees in our plants as well as in our offices through the country is at a maximum."
4. Other factors besides the machines: The machine after all is only one factor. In addition there are "such things as the ebb and flow of the volume of business, the rates for money, the vagaries of weather in agriculture, the state of the public mind and the unwillingness or reluctance of those with capital to engage in the extension of old enterprises or the starting of new ones."

Shreve M. Archer, president, Archer-Daniels-Midland Co., Minneapolis, Minn. (business advisory council)

1. Technological advances create employment: "Contrary to the plausible arguments of these alarmists we find in history—which, after all, is about the best basis for future prediction—that labor-saving devices enlarged the scope of industry, and although eliminating a certain number of laborers on a particular job has widened the general field to an extent to make many more jobs available."

2. Illustrations: "The manufacture of a modern motorcar now requires 25 percent more employment per unit than in 1929.

"The dial telephone practically forecast the elimination of the telephone operator, but we find that the number of operators increased from 190,000 in 1920 to almost 249,000 in 1930. The electric refrigerator was supposed to eliminate the ice dealer but we find that the number of ice dealers in the United States has increased from 8,000 in 1920 to over 19,000 in 1930. Office work has been revolutionized by the many calculators, dictating machines, typewriters, and so on, the last 20 years, but employment in these fields has steadily increased, as without these machines much of the work would not have been done."

H. C. Baldridge, Baldridge Implement Co., Parma, Idaho (Gifford committee)

1. Benefits of labor-saving machinery in agriculture: It would have been impossible to handle our crops without labor-saving machinery. Migration from the dry States has supplied much-needed labor on farms in Canyon County, Idaho. A considerable number have obtained jobs as skilled and semiskilled workers at high wages through the introduction of machinery. Planting and cultivating onions now done with machinery which has lowered the cost of production and improved the size of the onion. Production has been enormously increased and more jobs were made available.

Harry E. Bullock, president, Kentucky-Jewel Coal Co., Lexington, Ky.

1. Machinery and the labor supply: The rapid use of labor-saving machinery "grows out of the desire of the employers to avoid depending upon the uncertainties of union labor and also unorganized labor in general."

2. Necessity for decentralizing industry: "In my opinion, it would be well to start breaking down the centralization of industries which have been highly concentrated, such as the automotive industry. These are bound to fluctuate considerably, resulting in large numbers of men being out of employment who do and can depend only upon that industry. If smaller units of manufacture could be used and workmen live in semirural communities where subsistence could be had from the land in large part during such times of unemployment, it would help balance the situation."

W. L. Clayton, Anderson, Clayton & Co., Houston, Tex. (Business Advisory Council)

1. Labor-saving devices cause temporary unemployment: "Labor-saving devices do temporarily cause some unemployment, but I believe it is generally agreed that such result is only temporary. Labor-saving devices reduce the cost of production and distribution, increasing the demand and raising the standard of living. As an example, I have heard it said that road-building machinery enables the men of a given unit of highway with the use of not over one-fourth the number of men employed for such purpose 15 or 20 years ago, but in consequence, so many more miles of highway are being constructed that many more men in the aggregate are being employed in that activity than ever before."

2. Remedy and danger: "It may be well to consider the advisability of setting up some governmental agency to assist men temporarily thrown out of work because of the introduction of new labor-saving devices, but it would, in my opinion, be a great mistake to take any action which would have the effect of discouraging the invention and use of such devices."

William C. Dickerman, president, American Locomotive Co. (Business Advisory Council)

1. Temporary unemployment offset: "It is true that labor-saving devices result in the temporary laying-off of workmen * * *. The temporary decrease in employment is to a large extent offset and in many instances more than offset by the necessity for additional labor to turn out a greater volume of production

despite the savings effected by machines. Increase in production and sales of any product makes necessary the purchase of materials and services in a number of associated industries and creates employment in these industries."

Homer L. Gerguson, president, Newport News Shipbuilding & Dry Dock Co.

1. Technological advance creates new products: "Technological advances are not confined to labor-saving equipment, but increase the number of products which can be economically produced, thus increasing employment."
2. Technological advance and reduction of hours of work: "Only by technological advancement can hours be reduced and the standard of living improved at the tame time. The economic history of this country during the past 50 years seems so prove this point conclusively."

T. A. Finch, Thomasville Chair Co., Thomasville, N. C. (Business Advisory Council)

1. Technological advance and higher wages: "Of course, I realize that in order to increase consumption it is necessary to pass on to the employee additional wages when he is able to increase his output by use of improved methods and tools. This is the only method by which we can maintain and increase our American standard of living. Therefore, I feel that technological improvements, our standard of living in this country, and the number of people employed are interdependent factors. We need more labor-saving devices to reduce unit cost, give us a potential higher standard of living, make it possible to pay even better wages, maintain reasonable hours of work throughout all industry, and give more employment."

Clarence Francis, president, General Foods Corporation, New York, N. Y.

1. Technological improvements favor labor and consumers: Have installed a large amount of improved machinery in recent years. The number of employees and pay roll reached an all-time peak this year. Improved machinery resulting in lower costs plus improvement of products make it possible to give more and better food. The average price of General Foods products in 1937 is 30 percent below 1929 figures. Greater sales resulted in a net gain in employment. "Feel convinced that technological improvement in our company has had an end result favorable both to labor and consumers."

Charles E. Hoover, the Barnhart-Van Trump Co., Rochester, Ind.

1. Tax the machine: "Gather promotion material sent out by various machinery manufacturing concerns. Check and determine what claims these firms make relative to the amount of work their machines can do and the number of workers their unit is capable of replacing. Then, using their claims as a basis, levy a charge on the machine for every hour it is in use."

Fred I. Kent, treasurer, National Industrial Conference Board (Business Advisory Council).

1. Labor-saving devices increase employment and bring convenience to masses: "Labor-saving devices—while they do reduce the number of men needed to accomplish some particular operation—decrease the cost of production sufficiently to broaden the market for goods so that enough more of the articles are demanded to require altogether more men in this particular class of production than had previously been employed. They have as well made it possible for millions of people to have conveniences of life that otherwise would not have been available."

Harry C. Knight, president, the Southern New England Telephone Co., 157 Church Street, New Haven, Conn. (Gifford committee)

1. A challenge to industries involved: "As to the effect of labor-saving devices, there was a time when I was inclined to feel that this development might be quite a factor of the unemployment problem. Of late years my view has changed. I still feel that the introduction of these devices frequently bears very hard on individuals who find the craft in which they have skilled themselves over a long period becoming suddenly nonexistent and I further think that this specific problem presents a direct and definite challenge to the industries involved."

John F. Tinsley, vice president and general manager, Crompton & Knowles Loom Works, Worcester, Mass. (Business Advisory Council)

1. Steel industry as illustration of labor-saving machinery not reducing employment: "This industry is one in which devices to reduce manual labor, not only because of the heavy character of the work involved, but also because of the danger, have been continuously installed for many years." The number of steel employees in 1929 was 458,000 * * * in March 1937 it was 577,000."

Owen D. Young, chairman, board, General Electric Co., New York City (Business Advisory Council)

1. Temporary dislocation not ultimate unemployment: "Where the manufacturers lay one man off, two might go on in distribution, for example. That, I think, has been the history of labor-saving devices. It is temporary dislocation rather than ultimate unemployment which they bring."

PUBLISHERS OF DAILY NEWSPAPERS

W. T. Anderson, president and editor, Macon Telegraph Publishing Co., Macon, Ga.

1. Do not add burdens to machinery: "Eliminate printing machinery and the present service would not be prohibitive in cost but it would be impossible of accomplishment."

Through the use of printing machinery "instead of the former 16 to 24 page average of newspapers, they were increased in size until they appeared like bed mattresses. More paper was required, more mills, more forestry, more postal clerks, more delivery service, more advertising. Instead of machinery decreasing employment, it adds to it—except for a short adjustment period. In every instance where machinery has been introduced, it has been followed by decreased hours and increased pay. The advantages obtained by the employer are divided with the workers and the public. The employer is striving every moment to increase his volume. The workers share in the prosperity and advancement of the employer. You have only to study the printing business to find proof of this. Eight hours would never have come to the printers without machinery—at least not for 20 years later than they did come. The increased pay could not have come without machinery. Do not add burdens to machinery. It cheapens the cost of products, increases consumption thereby, in that a larger field is reached among those able to buy at the lower cost. It adds to employment to produce the things required by machinery, and helps the world and humanity in their march toward better things."

R. C. Hoiles publisher, the Register, Santa Ana, Calif.

1. Technology and population increase: "There is no need whatever of spending any time or energy in trying to determine the number of unemployed by reason of the use of labor-saving devices, mechanical and otherwise. This is true because machinery and equipment do not cause unemployment, but they make employment possible. They make it possible for a hundred or a thousand people to live and be employed where one could live and be employed without labor saving devices."

Frank Jenkins, president, Southern Oregon Newspapers, Klamath Falls, Oreg.

1. Why employers introduce labor-saving devices: "In 1931, when I purchased these newspapers at Klamath Falls, we were employing 14 regular full-time journeymen printers in our shop, paying them $1 an hour for a 48-hour week; or earnings of $48 per week. About that time the typographical union began to insist on shorter hours. Shortly afterward the N. R. A. came along. Then came the voluntary 5-day week inaugurated by the typographical union as a means of spreading employment. The net upshot of it was that in 1936 we employed only 11 regular journeymen printers, working 37½ hours a week at $1 an hour; or earnings per man of $37.50 per week. At the same time we put 12 percent more production through at the plant than in 1931. The difference was made up by addition of labor-saving machinery and time studies to increase efficiency. The sufferers, you will note, were our employees, who reduced not only the number of full-time employees, but reduced their earnings per week. As wages go up and hours go down, the employer must either increase his efficiency

per man, or must see the cost go up at a rate that would mean bankruptcy. The way to increase the efficiency per man is to add labor-saving machinery, by means of time studies, reorganization of methods, etc., and so increase efficiency per plant hour as to offset the increases due to higher wages and shorter hours."

2. Possibilities of new devices: "In our own industry, there appear to be limitless opportunities for the addition of labor-saving machinery, which, if not permitted to increase output and lower costs, will result in throwing men out of employment. For example, a new machine has just come on the market which sets type from a tape. These machines can be connected to a wire so that dozens of them can be operated from one tape. If present trends continue, publishers willingly or unwillingly are going to be forced into the use of these machines in order to hold down their costs to a point where they can still show a profit. There will, of course, be other developments whose effects will be similar."

Hiram B. Morse, chairman, St. Louis Daily Record, St. Louis, Mo.

1. Labor-saving devices and civilization: "In specific instances and for brief periods of time labor-saving devices have caused unemployment, but in the long run such devices are not the cause of unemployment at all. Such devices merely serve to increase the possessions of the people, and in the final analysis our Nation possesses what it is able to produce. When I refer to its possessions I include not at all the actual coin of the realm but the improved lands, the fine and comfortable dwellings that are found in our cities and in our country, the wealth of personal property in our homes, and schools and monuments erected for the education of the people, and all of the improvements and facilities and comforts that go to make up the possessions of an enlightened and progressive nation."

Editors and Managers of Daily Newspapers

R. W. Fisher, editor, Walla Walla Union, Walla Walla, Wash.

1. Employment opportunities in upkeep of machinery: "Use of the so-called labor-saving devices requires a lot of upkeep. Many who might be working in farming occupations (if there were not these mechanical devices) are taking care of machines."

2. No unemployment despite extension of agricultural machinery: "The Walla Walla district is primarily a farming community and to a limited extent the use of tractors plus combined harvesters has effected employment of farm workers and harvest hands. It takes fewer men to operate these machines than it would if mules and horses were used, as was the case until a few years ago. It also tends to shorten the harvest work period on the individual farms. But on the other hand there were few willing farm workers who did not have employment this year."

3. Mobility of labor and technology: "About 100 or so miles away there is an extensive hop industry. Hundreds of workers are required there. In these days of automobiles and good roads, workers can be on the job 2 hours after they leave here. Such work has taken many."

D. W. Grandon, editor and manager, Sterling Daily Gazette, Sterling, Ill.

1. The Mergenthaler linotype: "In regard to newspaper work, would say that when the Mergenthaler linotype was invented and began to be generally used in the smaller cities about 35 or 40 years ago, it was the same hue and cry against the linotype as there has been since against any other new invention.

"The printers claimed that the linotype would put them out of business, throw men out of work and bring on a terrible state of stagnation and hard times in newspaper work. As a matter of fact, the linotype actually did do the work of about five men over hand-set composition, but it increased the demand for printers instead of throwing men out of work.

Paul S. Hanna, editor, Chicago Journal of Commerce, Chicago, Ill.

1. Don't kill the goose: "To legislate against the machine is to start a cycle which will take the country in time straight back to the hand loom and the town pump. With all of this there is unemployment and distress, but the cure is not to kill the goose but to try to understand it."

2. Dismissal wage: "I thoroughly believe in a dismissal wage where labor-saving devices are suddenly injected into a situation."

James M. Langley, editor, the Concord Daily Monitor, Concord, N. H.

1. High prices, New Deal policies, and labor-saving devices: "As a general proposition high costs are the principal cause of the development of labor-saving devices, in my opinion. Those policies of the Government which tend to artificially maintain a high price level—and many of the New Deal policies as expressed in legislation do this—encourage greater efficiency in machinery production and cause disturbances in employment resulting in unemployment."

2. Depression and recovery in relation to technological change: "The depression, with its severe recession in business volume, caused business mangements to seek the highest degree of efficiency in operation of their businesses and resulted in both improved labor-saving devices and the throwing out of work of many persons. With recovery the accompanying rise in costs, of which taxation is not the least, particularly if the ultimate costs of social security are considered, have forced further efforts to improve labor-saving devices."

Max Leuchter, editor, Evening Times, Vineland, N. J.

1. The glassblower and employment in the industry: "It so happens that we have a fair-sized glass manufacturing industry here, specializing in surgical glassware, and in other forms of glass products used in electrical illumination and as a substitute for metalware in the home. Here again, the installation of labor-saving devices seems to have brought the greatest good for the greatest number. The sufferer has been the extremely skilled glassblower, who in other days blew himself into an early grave by the nature of his work. Semiskilled labor now stands and feeds the machines, but on the other hand there are so many more employees in the plant, which has grown to large proportions in the last decade."

Tom Wallace, editor, the Courier-Journal and the Louisville Times, Louisville, Ky.

1. Monopoly and labor-saving devices: "I think the automobile industry has set an example of what could be done by producers. Consider the fact that an automobile which now sells for $700 is, in every respect, superior to one which sold for $5,000, a generation ago. Contrast with this the fact that woven wire for farm fencing is no better, and no cheaper, than it was a generation ago and that plumbers' supplies, prices of which are maintained by gentleman's agreement, are so ruinously high that it is nonsense to argue that all farmers should have water in pipes. I believe a hydrant today costs twice as much as it did 25 years ago and the same thing is probably true of pipes."

MAYORS AND CITY MANAGERS

George E. Brunner, mayor, city of Camden, N. J.

1. Personal knowledge of technologically unemployed: "Among those who come to my office seeking assistance in obtaining employment are persons of the highest caliber and skilled in their particular line of work, but whose services along their particular line are no longer required because the position has been eliminated by the introduction of some new machine."

Sam S. Caldwell, mayor, Shreveport, La.

1. Reduce the hours and distribute the work: "Any unemployment in Shreveport, resulting from labor-saving devices, in my opinion, is negligible and the only solution that occurs to me to combat this type of unemployment would be to shorten the hours and distribute the work among a greater number of employees."

J. Fred Manning, mayor, Lynn, Mass.

1. Technological unemployment in the electrical industry: "The electrical industry in our city has been materially affected by labor-saving machines and other improved methods of mass production. The General Electric Co. plant located in our city employed, previous to the depression in 1929 approximately 12,500 hands, many of whom had worked for that concern a great many years. When the depression came the employees were reduced to approximately 4,000 hands; men from 40 years of age were discharged first. Some were given lump sums of money settlements in lieu of pensions and others were pensioned off for service. Both of these classes of employees were never to be employed again, and, therefore, many immediately became dependent upon the city for support

and are still being supported by the city with no hope of future employment in industry while the policy of not hiring persons over 40 years of age is in vogue. Employment in the General Electric Co. plant has increased until today they employ approximately 8,000 persons, which is 4,500 below normal in peak years. The most unfortunate part of the whole situation is that with the 8,000 persons employed by the General Electric Co. the production of the plant, I have been told, is as great or greater than it was when 12,500 persons were employed, due entirely to labor-saving devices and mass-production methods, and I dare say somewhat due to the lower average age of the employees, due to the cleaning of house by getting rid of older employees during the depression."

2. Hours and wages law: "Shorten the hours of employment arbitrarily by law, say to 35 hours per week at present, with proper supervision as to minimum wage 'so as to adequately maintain the present standard of living and avoid unfair competition between the same form of business in the various States.'"

MISCELLANEOUS

Alfred S. Alschuler, architect, Steger Building, Chicago, Ill.

1. Shorten the hours of work: "Machinery increased employment up to 1929 * * *. There was a huge shortage due to the war which had to be made up, an extraordinary demand from abroad and a great development of huge new industries as well as a building program based on an unsound rate of growth. Yet in spite of this tremendous and abnormal expansion and the technological development which helped to create it, the number of hours per week remained the same in 1929 as in 1920. If we look at this squarely, does it not indicate that this extraordinary rate of growth must be maintained in order not to shorten the work week. It is obvious that it cannot be maintained. Hence it would seem to follow that with normal employment, the number of hours required must decrease and that readjustments must take place to meet new situations as they arise."

S. Frank Bennett, international president, Amalgamated Association of Iron, Steel, and Tin Workers, Pittsburgh, Pa.

1. Fix minimum wage of $5 per day and tax machinery: "Where modern machinery in a plant has been installed, that the hours of labor should be reduced to an extent that no employee would be thrown out of work and a minimum wage of at least $5 per day be paid each employee so affected. By placing a tax on modern machinery by the Federal and State Governments sufficient to supply the necessities of life to those whose employment is affected by machinery so installed, thereby replenishing the Treasury for sustenance purposes of unemployment brought about by such systems."

Fred Brenckman, Washington representative, the National Grange

1. Effects on agriculture: "In my opinion, the use of these labor-saving devices on farms does not cause a great deal of unemployment in the aggregate. It results principally in shortening the hours of labor of the farmer and his family. * * * I have been interested in reading about the mechanical cotton picker that has been invented, and which will probably be placed on the market in the near future. While I see no way of preventing the introduction and use of this device, it occurs to me that it might easily result in causing a great deal of unemployment in the cotton States."

John S. B. Davie, labor commissioner, Concord, N. H.

1. Attitude of employers toward older worker and others displaced: "There are some employers in this country who plan far enough ahead to absorb into the industry those displaced by labor-saving machinery, still there are others who do not make any provisions for such employees. Many of the people thrown out of employment are accustomed to perform some special task, making their placement in some other employment next to impossible. Manufacturers operating groups of factories are closing down some of the smaller plants, transferring the workers to larger factories which they have equipped with more modern machinery. In this process many men and women over 45 years of age are forced out of employment, regardless of the fact they are giving a service to such employers which cannot be duplicated."

J. H. Fallwell, director of public welfare, Roanoke, Va.

1. The shorter work day for society's sake: "We cannot and should not attempt to stop the wheels of progress by not using modern methods. The answer that seems most logical to technological unemployment is a shorter working day. Not for the benefit of the individuals concerned so much as for society's sake. For example, our employment office gave us the illustration of a $200,000 road contract on the Skyline Drive which only employed from 10 to 15 men, most of the important work being done chiefly by heavy machinery."

Emil E. Fuchs, chairman, Unemployment Compensation Commission, Boston, Mass.

1. Amend the patent laws limiting introduction of machinery: "I desire to be recorded in favor of an amendment to the patent laws of the United States, providing a limitation to the effect that no labor-saving patent shall be operated and go into effect until 18 months after the granting of the said patent applied for. I am also in favor of another amendment to the labor laws which will enable the Secretary of Labor to cause investigation to be made as to how many workers the new patent labor device will throw out of employment. The 18 months will give these governmental agencies the opportunity of finding new employment for those affected by the present changes. My suggestion is 18 months, although I believe that the originator of this idea, the president of the Bank of England, suggested 2 years' waiting period, in order to avoid thousands of workers being thrown out of employment without due notice and the opportunity of placement."

A. Johnston, grand chief engineer, Brotherhood of Locomotive Engineers, Cleveland, Ohio

1. Technological unemployment in the railroad industry: "The unemployment in the railroad industry is due primarily to increased efficiency in operation, installation of mechanical devices such as interlocking plants and electrical block signals, reduction in grades, increased size and hauling capacity of locomotives * * * In 1920 there were 2,022,832 railroad employees in service on class I railroads, and in 1936 there were 1,219,108—a reduction of 803,724, or about 40 percent. As it applies to locomotive engineers and when examined in the light of the number employed during the year 1929, it is significant that, after nearly 4 years of 'recovery' when activity in the railroad industry is approaching normal, we still have nearly 10,000 engineers who have not been restored to service as such.

2. Reduce hours and maintain wages: "We believe that reduced hours required of labor is a stepping stone; provided, of course, labor receives for its service sufficient wages to provide competency in old age."

E. Pat Kelly, director, department of labor and industries, Olympia, Wash.

1. Machinery in the logging industry creating additional employment: "* * * logging in this State is done in the most mountainous regions. Ox teams and hand logging would be impossible here. We have machines which may be said to have replaced the power of many men to carry on this work, but without them, the approximate number, or 32,000 men would not now be employed in the lumber industry were it not for these improved machines. I would not go so far as to say that this principle of man-saving machinery is probably used in order to eliminate man power and yet at no time should the question of meeting highly competitive products be overlooked when speaking on the matter of man-saving machinery."

Robert R. Moore, commissioner of labor, Montgomery, Ala.

1. Tax machinery and reduce hours: "Labor-saving machinery should be adequately taxed. Reduction in hours worked by each individual employed on labor-saving machinery with increased pay, thereby reducing unemployment and giving the worker a greater share in the additional wealth created by labor-saving devices."

John W. Nates, commissioner of labor, South Carolina

1. Pulp and paper plants; cotton mills: "Recently there have been two pulp and paper plants established in this State. Several weeks ago I went through one of these plants and I was astonished to see that such few workmen were employed in such a plant. This is, of course, caused by labor-saving machinery. I presume that you know something about the labor-saving devices, which have been

installed in the cotton mills of the South in the last few years. For instance, the automatic spoolers, which have been installed, eliminate at a ratio of 2½ to 1 employees. One particular mill which I have in mind, has installed four of these automatic spoolers. Previous to this installation there were 105 spoolers employed and now there are only 40 employed."

2. The stretch-out system: "Before the stretch-out system occurred in the mills, a weaver was required to run from 16 to 24 looms. Now he or she is required to run from 40 to 108 looms."

3. Control machinery by a patent commission: "I have come to the conclusion that the Federal Government should place a tax on all labor-saving devices and let the tax be high enough that it would be cheaper to use hand labor than it would be to use mechanical labor-saving devices. It is possible that a commission could be appointed, known as a patent commission, and allow this commission to have the authority to investigate the number of employees that any labor-saving machine may cut out of work and if such machine would eliminate a certain number of employees, this commission should refuse a patent for it."

Orden C. Oechsli, Missouri State Employment Service, Jefferson City, Mo.

1. Human problem of the displaced worker: "I had the pleasure of serving as a member of the interview board before which appeared nearly 200 candidates for administrative and executive positions in the new Kansas State Employment Service. * * * It was generally felt that unemployment today would be 'normal' (based on 1929 standards) or even lower than in 1929, except for the wider use and improvement of labor-saving machinery. * * * It was generally expressed that curtailment of production, or arbitrary requirement that less efficient methods of production be used, would at best provide only a temporary respite, and in any event would tend to reductions in living standards which for many workers already need adjustment upward. * * * Factors of time, of distance, and above all, of occupational skill and training, make so-called technological unemployment not only real unemployment to those workers unfortunate enough to be involved, but also probably the most bewildering type of unemployment for them to try to solve for themselves. It was frequently stated that today's relatively serious unemployment problem is acute not so much in terms of total supply and demand but more in terms of occupational and geographic maladjustment."

2. Special attention by public employment service: "It was suggested that workers now unemployed because of industrial change or the adoption of labor-saving devices be given special study by the public employment service to determine to what extent their former skills may, with slight adjustment and training, be utilized in industrial fields where there is now a demand for workers."

3. Planning the introduction and timing labor devices: "Close coordination, on a voluntary and cooperative basis, between the public employment service and private industry in the planned integration of labor-saving devices into industry. There would be no arbitrary throttling of new processes, on the contrary, there would be no unplanned displacements of thousands of workers; as in the voluntary instance of the Rust cotton picker, the use of labor-saving devices would be established as rapidly as adjustments could be made for the workers involved."

Donald R. Richberg, Washington, D. C.

1. Relations of technological unemployment to skill of workers: "* * * very often large numbers of men will be displaced in one industry by changes which are producing as much, or more, employment in other industries. * * * An outstanding example of this is in the steam railroad industry, with which I am particularly familiar. Several hundred thousand men have lost employment in that industry, both as a result of new methods of handling the business and as a result of diminished business through competing forms of transportation But the rise of the automobile industry, which has helped to create unemployment in the railroad industry, has given, in the total, an enormous increase of men employed in the manufacture and maintenance of automobiles and in the field of bus and truck transportation. The problem of unemployment therefore created is unemployment of individuals, rather than unemployment in the mass. * * * Result is in fact an increase in the total volume of employment. But frequently, a decrease in the volume of skilled employment and a heavy increase in less skilled and lower-paid occupations."

2. Seniority protection: "If an industry is operating on a seniority basis, then the younger men being displaced are better able to start life anew and

learn a new trade. But where no seniority protection and where, as in many businesses, older men are likely to be displaced in the reduction of forces and younger men retained, then a serious individual unemployment results from technological change."

3. Trace what happens to the displaced worker: "It would be desirable for industry by industry to attempt a finding as to what happens to the displaced employees * * * whether they have been able to get any comparable employment or if the opportunities are so poor that they hang on to temporary jobs hoping to get back into permanent employment. Also, how many of the railroad workers displaced are absorbed in the competing automobile transportation business."

Charles Sattler, Division of Employment, Works Progress Administration, Charleston, W. Va.

1. Mining and steel: "Just recently there were 800 people furloughed from the Hazel-Atlas plant in Wheeling, and approximately the same number from the Wheeling Steel Corporation, and about 1,200 people released from the various mines in and around Ohio County, due in some part to shortage of orders, but in the larger part due to mechanization of mines. The same thing is true of the steel industry, where the strip mills have displaced a great number of men in that industry."

N. R. Whiting, economist, the Proctor & Gamble Co., Cincinnati, Ohio

1. Soap industry not affected: "* * * the soap industry is employing more men and is paying higher weekly wages now than in 1929. From this, it would appear, at least at the moment, that technological unemployment in the soap industry does not present a serious problem."

UNEMPLOYMENT AND RELIEF POLICY

Business Leaders

Shreve M. Archer, president, Archer-Dabiels-Midland Co., Minneapolis, Minn. (Business Advisory Council)

1. Relief undermining individual's will and building up a relief machine: "There are, no doubt, critical periods in which relief is necessary but serious evils have crept into our program that have not only undermined the individual's will to help himself but has also built up a machine that will be very reluctant to give up the many jobs it provides for its own organization."

2. Social security and higher costs. "Our present plans of Social Security, Old Age Pension, Job Insurance, and so on, are fine plans if properly administered but the cost is heavy and must, of course, be added to the selling price of all articles. The present heavy taxes are discouraging savings and the spirit of self-help and frugality on which the success of our country has been based."

3. The day of reckoning: "The operation of the State or Federal Government is no different financially from that of the individual taxpayer and the example is certainly not one to encourage sound practice, even with the highest wages that have ever been paid. Nature has a way of taking care of these problems and of course is merciless in her decisions, but it does seem too bad that our great country should continue violating the first laws of nature, knowing, that sooner or later the day of reckoning will have to be met."

James F. Bell, Chamber of Commerce, Minneapolis, Minn. (Gifford committee)

1. Accurate information and special studies needed: "* * * the special Senate committee would best advance the public understanding of the causes of unemployment by providing the factual material which has always been lacking. It seems that accurate estimate of unemployment, by sexes and ages and regions, is the first requirement; the second is studies of unemployment in reference to industries and vocations."

Thomas A. Dines, the United States National Bank, Denver, Colo. (business advisory council)

1. Straight relief on a subsistence basis most practical course: "At the time of my first contact with relief, it was my opinion that work relief was the best solution to the problem of the unemployed employables. My viewpoint, how-

ever, in this is now changing as serious doubts have arisen as to whether or not work relief, which is certainly much more costly, is better even for the morale of the majority of those so engaged than straight relief. It appears to me that a large percentage of the so-called employable class, now on work projects, are not now, and probably never have been, real employables in the sense that we use that term. In the past these people have managed to eke out an existence by part-time work and by aid of parents, relatives, or friends, but to really refer to them as employables is almost a misnomer. With this support removed, and I believe permanently removed so far as these particular people are concerned, it is my thought that they will be more or less a permanent charge of the public. If work relief would raise them to the standard of real employables and there should be any real assurance that they could thereafter support themselves, the answer might then be easier. Believing as I do, however, that this result would not ensue, I cannot help but conclude, reluctantly, however, that straight relief on a subsistence basis is the most practical course to pursue. This could be modified to a certain extent by work projects which require no great outlay for materials or for engineering or other technical supervisory service. Perhaps all those who are recipients of this relief and who are physically fit should be held bound to work out their payments, and should be called upon so to do."

2. Federal aid and local administration: "In view of the transient problem involved and the past handling of the relief situation, it would not seem possible to now put the entire burden directly on the States. However, if Federal help is given to the States, it is my firm conviction that the administration should be as nearly local as possible. I do believe that the nearer the administration comes to the direct problem the more economical it will be. Delays and inelastic standards are almost sure to be the result of centralized administration."

J. E. Edgerton, president, Southern States Industrial Council, Nashville, Tenn. (*Business Advisory Council*)

1. Complete, thoroughgoing census indispensable: "The voluntary registration plan which is being employed will, in our opinion, be of no practical value, simply because it cannot and will not reflect the true situation * * *. We do not see how remedial legislation can be wisely enacted in the absence of complete and reliable facts concerning the subject legislated on. * * * The only recommendation that the writer could offer, therefore, is that your committee insist that until the exact amount of unemployment and the causes thereof are accurately ascertained through a comprehensive and properly conducted census, Congress will continue to be in poor condition to legislate hopefully on the problem."

Milton H. Esberg, San Francisco, Calif. (*Gifford committee*)

1. A department of welfare: "If the time has now come for the Government to provide for that section of the dependent class which is recognized as unemployable, special attention could be devoted to the possibility of creating a department of government, perhaps a cabinet office, for the administration of welfare and the coordination of the many agencies, both public and private, which now, in part at least, discharge this important social obligation. Such a department could deal with all degrees of dependency, from partial to complete disability. A very large number of institutions and agencies would profit by such coordination, and the principal benefits would inure to the handicapped."

2. State surveys to locate job opportunities and stranded areas: "There would seem to be an immense advantage in conducting this portion of the survey by States, since this would indicate in useful approximation the areas most affected and would suggest the potentials for the remedial legislation which the resolution anticipates. The mobility of the unemployed is at once a blessing and a curse. The State survey would indicate the areas where productive opportunity on an economic basis is sufficiently limited to call for migration; would direct development to the areas where productive capacity can be advantageously expanded; and would properly focus attention on those regions where the market for labor has been seriously disrupted by an oversupply due to the influx of both the discontented and the desperate."

3. Encourage business and stop punitive expeditions against it. "* * * temporary unemployment can be relieved by the expansion of total production. This I confidently believe can be accomplished through business initiative more quickly and effectively than through Government action. * * * But business can neither utilize its existing capacities nor expand its facilities as long as

the punitive expedition against business leadership is on the march. The continuance of official pronouncements from high places against responsible employers has stimulated many minor marches of a similar character which tend now to converge into the main column. Business barometers, with due allowances for their limitations, now point to a recession which may reach major proportions. It is significant, however, that the indices show a tremendous volume of unsatisfied demand to which business would quickly respond could confidence be restored * * * at the present juncture if business were relieved from such punitive legislation as that which forced the distribution of surplus; if it were relieved from official criticism and were given adequate representation in the preparation of wage and tax legislation."

Homer L. Ferguson, president, Newport News Shipbuilding & Dry Dock Co., Newport News, Va.

1. Stimulate foreign trade: "The reduction of unemployment * * * can be helped materially by an increase in exports; especially of finished products containing a large content of labor. But it can hardly be solved by governmental edict relative to shortening of hours of work."

2. Neither taxes nor borrowing for relief: "As to the methods of obtaining money for relief, increase in taxes will lower the scale of living, spending, and investment of those from whom the taxes are exacted, and at the same time increase prices and the cost of living. Increased borrowing will absorb the people's savings, and can only be repaid through future increase in taxes, thus deferring the evil day."

Charles C. Glover, Jr., vice chairman of the board, The Riggs National Bank, Washington, D. C.

1. Civilian Conservation Corps to include older transients: "One suggestion which does occur to me is that the Civilian Conservation Corps might be enlarged to take care of the older man who drifts north in the summer and south in the winter and proves a very great problem for relief agencies in the various cities, as well as furnishes trouble for the police departments. If this group of idle men could be concentrated on Government farm projects, where they could work and become self-supporting, I believe it would be a helpful factor in the situation.'

Ralph Hayes, vice president, The Coca Cola Co., Wilmington, Del.

1. Cultivate international trade: "The shrinkage of foreign commerce by reason of extreme tariffs, highly developed nationalism and military operations makes it the more necessary that emphasis be placed on cultivating the field of international trade that heretofore has provided employment for so many of our people. While we here cannot claim that any distinctive success has attended our efforts in the direction described, those endeavors have not lacked encouraging aspects and we are hoping and working for a continuance and improvement of the results so far attained."

F. C. Jones, president, The Okonite Co., New York City (Business Advisory Council)

1. Reduce the labor supply by deportation and drastic immigration barriers: "We should start in toward a permanent program, by first cutting down our reserve supply of labor and deporting all aliens now on our relief rolls. It will be far cheaper to deport them than to continue to support them year after year. At the same time we deport, we must revise our immigration laws. We now have quota systems for European immigration, and we must drastically reduce all our present quotas. Furthermore, as at the present time there is no restrictive legislation on immigration from the Philippine Islands, the West Indies, or any part of the Western Hemisphere, we must establish quota systems for those territories, and extremely small quotas, so as to reduce total immigration to the lowest possible minimum. * * * We should also deport all aliens in this country who entered the country illegally; whether they are on our relief rolls or have jobs."

Fred I. Kent, treasurer, National Industrial Conference Board, (Business Advisory Council)

1. Protecting agriculture at the expense of industry and Government: "We have tried to protect agriculture by putting the burden upon industry with the result that we have created greater unemployment in the United States than other-

wise would have been necessary and have thrown a burden upon Government that even the great wealth of the United States cannot meet without leading toward disaster."

2. Balance the Budget and foster industry: "* * * We must properly add to the existing unemployed all those who are now being employed by Government who must be released from such employment if we are to have a balanced Federal Budget. * * * In principle but not in detail the first portion of the problem lies in fostering industry—lifting unwise regulatory burdens and unsound taxation methods from industry * * * the ability of industry to produce and sell its goods in the markets must be built up with a proper profit instead of forcing increasing costs at too rapid a pace."

Harry C. Knight, president, the Southern New England Telephone Co., New Haven, Conn. (Gifford committee)

1. Make the States and their subdivisions bear the relief burden, financially and administratively: "I have always felt that the chief function of the Federal Government was to pass upon the merits of the application for aid and make such appropriation as might seem logical, leaving the responsibility for administering the aid, supervising projects, etc., with the States and their subdivisions. In other words, I am of the opinion that less inefficiency, less waste and less unwholesome political effect come from local administration of citizens than can possibly come from the long arm of the Federal Government."

W. C. Simons, president, the World Co., Lawrence, Kans.

1. The New Deal: "The whole idea of the New Deal seems to be that money in usable amounts is an evil in itself, when in the hands of those whose genius and energy have acquired it; but that when wrung from the rightful owners by taxation, and placed in the coffers of governmental bureaus, it becomes a blessing."

John F. Tinsley, vice president and general manager, Crompton & Knowles Loom Works, Worcester, Mass. (Business Advisory Council)

1. Need for training and retraining workers: "This city's manufacturing interests are very diversified. It has a need of skilled craftsmen and operatives. During this past year there has been actual shortage of desirable employees in many fields. While there has been somewhat of a recession recently, there was a shortage of considerable proportion of skilled mechanics throughout all of last spring, so much so that it has been found necessary, in several industries, to start retraining programs."

Samuel P. Wetherill, Jr., president, Wetherill Engineering Co., Philadelphia

1. Deport the aliens illegally here: "I offer one concrete suggestion as to reducing the number of unemployed in this country and that is, legislation *requiring the deportation of aliens* who have illegally entered this country." [Italic by Mr. Wetherill.]

Harry A. Wheeler, president, Railway Business Association, Chicago, Ill. (Business Advisory Council)

1. Skilled workers and unskilled who must be aided: "Certainly the unemployment situation is intensified by the fact that during a long period of industrial depression skilled workers that were in their prime when the depression began have either grown too old to be readily accepted in industry or have lost the cleverness which their former training had given them. Likewise during these years very few skilled workers have been added to the general roster, while the number of unskilled who must be helped in the absence of definite employment constitutes a greater burden than would be laid upon either the Federal Government or the States in any period not closely connected with a long and serious depression."

2. Railroad industry not able to increase employment—Present situation: "The outlook in 1936 was for a considerable period of successful business in picking up maintenance that the railroads had abandoned during the depression. Increased cost of materials, fuel, and equipment, together with increased wages now effective, has taken practically all the money out of railroad coffers that could have been spent for improvement of equipment and of maintenance-of-way. Fuel and the labor constituted the necessities. Improvements in physical plant and

in maintenance were subject only to the ability of these corporations to so budget as to include these items in their year's operations."

W. H. Wheeler, Jr., vice president, Pitney-Bowes Postage Meter Co. (Business Advisory Council)

1. A program for work relief: "(1) Despite its extra cost, work relief is the only adequate solution to unemployment. (2) I believe that at least in times of acute distress the Federal Government must finance the program. (3) The actual administration of any work-relief program should be placed in the hands of local bodies rather than direct Federal operation, as is now the case under the Works Progress Administration. (4) I believe that the whole program of work relief should be aimed at keeping men fit and training them for private employment when the opportunity occurs. (5) I believe that the wages paid for work relief should be approximately 20 percent lower than those obtainable from private employment in the particular locality."

Daniel Willard, president, Baltimore & Ohio Railroad Co., Baltimore, Md.

1. Increased costs in the railroad industry require higher freight rates: "The cancelation of emergency rates on June 30, 1936, afterward extended to December 31, 1936, cost us $7,000,000. Wage increases will run to $6,000,000; social security, about $2,500,000; other items of increase on coal, materials, etc., amount to about $5,000,000, making an increase of $20,000,000 in operating expenses. In an effort to maintain our financial integrity until the Commission can act upon our application for higher rates, the Baltimore & Ohio Co. has found it necessary to close all of its shops and to furlough, I hope only temporarily, about 7,000 of its employees."

Owen D. Young, chairman of the board, General Electric Co., New York City

1. Necessity for a sound factual basis for the committee: "I do not see how your committee can make any headway with the sprawling problem of unemployment and relief until you first develop the facts to the extent necessary to satisfy yourselves that you have a sound factual basis to work on. * * * It may be that the present census taken with the information already collected will give measurably a true picture of unemployment. If it does, then you can begin to develop opinion on the problem based on reliable facts. To collect opinion otherwise I think is largely a waste of time."

PUBLISHERS OF DAILY NEWSPAPERS

Philip D. Adler, publisher, the Star-Courier Co., Kewanee, Ill.

1. Census of unemployment by post-card registration unreliable: "Our opinion is that it would be futile to undertake a study of unemployment and relief until such time as the Government can accurately know the status of unemployment. * * * We do not believe that a post-card registration will produce an accurate check-up on unemployment * * *. Without a reliable census of unemployment we feel that your committee will be conducting its investigation in the dark."

Daniel R. Anthony, Illinois editor and publisher, Leavenworth Times, Kansas

1. Misfits and unfortunates—the only unemployed: "It is my candid opinion that unemployment in this vicinity in a certain sense no longer exists. It is true that the Works Progress Administration and relief rolls are about as large as ever, but they are made up of the misfits and unfortunates—people who could not hold regular jobs and those who somehow have always made out before the depression without working. I believe that almost all decent, capable men who really desire work have now found employment. Those now on work relief or direct relief perhaps will never have regular private employment. Therefore, since relief is now caring for the misfits and unfortunates, largely, it is my belief that it should be on a minimum basis and not competitive with private employment."

2. Farm-labor shortage and Works Progress Administration ruining workingmen: "Farmers complain that they cannot get men at harvest time at wages they can afford to pay. Farmers also complain that they cannot get regular farm

hands and hold them. Contractors have told me that Works Progress Administration has 'ruined every working man.' "

U. G. Baker, editor and publisher, the Evening Transcript, Susquehanna, Pa.

1. Local administration of relief projects: "The writer believes that relief for the unemployed can best be handled in each political subdistrict, with the taxing powers of the subdistrict to have the borrowing power from State and Federal Governments for work projects, said projects to be controlled entirely by city or borough councils, school districts, counties, and townships. Dollars will be made to go much further, and each district will thus be able to solve its own relief problem to the best advantage. Under present system, taxpayers do not seem interested in Works Progress Administration and other projects because of the far-off or remote control, plus the unending red tape."

Stanley R. Banyon, editor and publihser, the News-Palladium, Benton Harbor, Mich.

1. Local administration needed to reduce relief costs: "The best agency to handle and dispense actual relief to needy indigents in every community is the local authorities. They know the poor and the needy, the deserving, and the shiftless; when local relief is under local auspices, everybody, so to speak, is watching it; the beneficiaries of such relief know this, and therefore they will not apply for relief unless they are actually in need of it. When the Government is handling relief, it's nobody's business, locally, and in consequence costs mount all along the line. I well realize that there are many communities in the country, especially the larger industrial areas, where during the peak of the depression the relief load got so heavy that these communities had to have Federal help. But let Federal relief come through sort of a system where Federal dollars are matched with local dollars, with the local authorities doling out and handling the actual relief. The Federal Government, of course, should exercise a close supervision over the expenditure of all relief dollars. In brief, the development of local responsibility in this relief problem would, first, tend to reduce relief rolls; and secondly, would certainly reduce operating and other overhead costs."

2. Employers deserve credit for employing millions: "The shadow of uncertainty, as regards hours, wages, taxes, and all that, can't eternally hang over business without having a doleful effect upon this problem of unemployment. When we who are on the firing line of business see that official Washington is reasonable, temperate, steady, and sane we take heart, plan for enlarged business operations, and unemployment is always affected accordingly. Broadly speaking, I think that until the present so-called capitalistic system is abolished, we must look to business to solve the unemployment problem in the main. And I believe business would solve it to a very large extent, as it has in the past, if the administration was more encouraging in its attitude, policies, etc. So few words, Senator, in the past 4 years have come from the White House in either praise or encouragement of the great job business in general has done in providing employment for the millions now on the pay rolls. Here in my own establishment, for instance, all through the depression I carried on my pay roll one-third more workers than we actually needed. I know that throughout the country hundreds, doubtless thousands, of small business concerns—and large ones, too—operated likewise. But we employers have very little, if any, credit for all this."

Edwin P. Chase, publisher, Atlantic News-Telegraph, Atlantic, Iowa

1. Secure the facts and reduce relief: "I believe that it is high time the country were knowing the exact status of relief, exactly how much it is possible to decrease the load and what are the reasonable prospects for the future."

Henry A. Dennis, president and editor, Henderson Daily Dispatch, Henderson, N. C.

1. "Unemployed" don't want to work: "My feeling is that there are persons in this community and many thousands, possibly some millions, throughout the country at large who are rated as unemployed who do not wish to work and would not if offered jobs, unless there were little or no work involved and fat salaries."

2. Relief is a political racket. "Relief has developed into a great political vehicle, the manipulation of which can influence and account for millions of votes, and I believe has done just that. All of which is one reason why politicans, from the top down to the bottom, are so loath to part with the vicious system."

3. Give business a chance to absorb honest unemployed: "If Government would stop its persecution of business and industry, and let up on the imposition of taxes, which now appear to be approaching toward confiscation of all earnings, an expansion would ensue that would go far toward absorbing such remaining jobless persons as are capable of giving an honest day's work for a day's reasonable pay. * * * I wish to register my opposition to the proposed wages and hours law."

Alfred Harrell, Editor and Publisher, Bakersfield, Calif.

1. Farm labor shortage and relief: "Relief agencies are still extending aid to many men and women, either direct or in the nature of make-believe work while the farmers within a few miles of Bakersfield have great difficulty in securing help for the harvesting of their crops. No necessity exists here for continued relief work for employables at this time, yet the number which have been taken off of relief is not comparable to the opportunities for work."

W. D. Hart, Cooper Review and Courier, Cooper, Tex.

1. No cotton crop production control: "I live in a black land Cotton Belt where our farmers know little but cotton, especially the day laborers and reliefers. If cotton production was unrestricted even though the price was low we would have no unemployment or relief problem."

R. C. Hoiles, Publisher, The Register, Santa Ana, Calif.

1. Taxes, money, and monopoly: "To summarize—if we are not to have unemployment, we must have a sound tax system based on what the individual costs the Government; we must have a sound money system that is a storage of wealth and a measure of value and as a result becomes a medium of exchange. We must eliminate monopolies, both of capital and labor, so that capital is obliged to work on a competitive basis."

Birney Imes, Editor and Publisher, The Daily Commercial Dispatch, Columbus, Miss.

1. Wages-and-hours bill will create unemployment: "Such legislation as the proposed wage-and-hour bill will do more to bring about the use of labor-saving devices and create more unemployment than anything else. Such restrictive legislation will force employers to use every means possible to cut down operating expense, and labor is the biggest item in operating cost. The theory that shorter hours will take up unemployment slack is all bunk, except in a very few industries which can work in shifts. The wages-hours bill will do untold harm to labor and I think it is one of the most dangerous pieces of legislation ever proposed in this country."

C. P. Ives, The Carrington Publishing Co., New Haven Journal-Courier, New Haven, Conn.

1. Study the kind and character of the people out of work, qualitatively not quantitatively: "My own view is that a study of unemployment such as your committee is about to make ought to stress the qualitative aspects of the problem much more than the quantitative. What I mean is suggested by the sampling study just announced by Fortune, in which the kind and character of the people out of work is examined carefully, less insistence being placed on sheer arithmetical totals."

Harold B. Johnson, editor and publisher, Watertown, N. Y.

1. Farm labor shortage and relief—difficulty of getting back on the rolls: "In this dairying section, where farming is general, relief is educating the hired help away from the farms, and the farmers are having difficulty in getting hired men. They go on relief and they want to stay on relief and they do not care to jeopardize their positions on the relief roll by accepting temporary jobs."

Frank Knox, the Chicago Daily News, Chicago, Ill.

1. Separate the employables: "The question of relief for unemployables we have had always with us. We have dealt with it locally, not without success, for many years. What is now called the relief problem has to do not with employables, but with unemployables. I suggest that your committee approach the

subject in this light. It seems to me that a great step toward a sound future policy would be made if some means could be found to classify on relief, accurately and objectively, as employable and unemployable * * *. The relief problem is, above all, an employment problem. Your committee would perform a great service if it would study analytically the question of whether recent public policies have tended to encourage or to discourage employment."

Albert Marshall, Jr., Berlin Evening Journal, Berlin, Wis.

1. Local committee for rehabilitating employables on relief: "Putting the employables back into a useful place in society will be a harder problem. This will have to be both a local and national responsibility. The administration should be responsible to centralized control, but in each locality a committee of conscientious citizens should be appointed to work with the administrator to help him in the rehabilitation of relief clients back into industry and to devise useful public projects for those who cannot be immediately assimilated—these projects to be worthy of the work of free-born American citizens and of commensurate value to the money expended in them, and of course, each community should bear a part of the expense."

B. K. Maxwell, secretary, Daily News Tribune, Fullerton, Calif.

1. On behalf of the "economic royalists:" "Personally, my reaction is against this continued talk about unemployment and continued attempts by artificial means to deal with it. It is common observation to most men of mature years that a large proportion of unemployment is either voluntary or due to unfitness for employment. I believe that the Federal administration has done more to glorify voluntary unemployment and to make dependents out of our people than any possible exploitation of economic royalists could accomplish in 50 years. What we really need is a chance for industry and business to meet unemployment by expansion and steady operation. The more the Federal Government soaks employers in taxes, the more it treats them like criminals, the more it encourages labor to take control over management, the more unemployment we shall have."

Warren L. Monroe, publisher, Elko Independent, Elko, Nev.

1. Three classes of unemployed: "There are three classes of people which fall within the scope of your investigation: (1) Those who are able and want to work but who cannot find employment. (2) Those who are able to work but who will not accept employment. (3) Those who are not able to work. * * * For the first group, the problem is to find jobs. To do that, we must discover the qualifications of each individual and obtain, if we can, an answer to the question, 'Why is he not employed?' Having done that, we can best determine what is needed to furnish him with employment. For the second group, we must first find a way to create a desire, or a necessity, for him to work. Then we must determine his qualifications for work and decide what is required to furnish him with employment. The third group, which cannot work, appears to be a problem best solved through our new social agencies or through a governmental relief program which will provide them with subsistence."

Hirem B. Morse, chairman, St. Louis Daily Record, St. Louis, Mo.

1. The false doctrine of a redistribution of wealth and unemployment: "What the country needs in order to bring employment to its highest point and the occasion for relief to its lowest point, is more than any one thing the cessation of disturbing factors. Not least of these has been the terrific increase of public debt in times of profound peace; but beyond that even more dangerous in its nature has been the appeal to the multitude not in the direction of economy and thrift but clearly along the lines of securing an unwarranted distribution of wealth by taking it from those who have possessed it and turning it over, without any reasonable consideration, to those who do not possess it."

Edwin J. Paxton, publisher, the Paducah Sun-Democrat, Paducah, Ky.

1. The "choosy" unemployed not looking for work: "We now class as unemployed persons who would not have fallen in that category a few years ago. * * * And we have a generation which wishes to make it appear there are less opportunities for work than there are persons seeking labor. They are quite choosy in the work they wish to do, and many of us are finding a great many

of them don't wish to find steady employment at all but prefer what relief has to offer. This past summer, with this newspaper, several times we printed 'employment wanted' advertisements free of any charge. We made a plea for all seeking steady occupation to use our classified columns, and we were amazed by the few who did. Those who did, found something to do, and the National Employment Agency branch here has been equally as successful in finding work for those for whom it advertised."

Harry E. Polk, publisher, the Williston Daily Herald, Williston, N. Dak.

1. Work instead of grants for farmers: "I have had the opportunity to compare, or rather contrast, the method of extending relief in northwestern North Dakota and northeastern Montana as conditions are practically identical due to the severest drought which this section has ever experienced. In Montana, undoubtedly through the personal efforts of Senator Murray, who is a member of your committee, and State Administrator Joseph Parker, practically all of the drought-stricken farmers have been certified for W. P. A. projects, most of which have to do with water conservation. Over in North Dakota, however, instead of placing farmers on a work program, they have been kept on resettlement grants and all of our efforts to have this changed have seemingly been with no avail. There is no question but that the method carried on in the Montana section just adjacent to our area here is by far the most desirable. There are two very outstanding reasons that lead to this conclusion. The first is the fact that where farmers are permitted to work they are much more able to retain their self-respect and not feel that they are mere objects of charity. Consequently their morale just at the present time is far better in the Montana section than it is in North Dakota. Then there is the second reason of securing some constructive and permanent results for the money expended. In this section of North Dakota where the grants are being continued and are being increased, the Government is getting nothing in return for its money. In Montana hundreds of miles of good roads are being built, a splendid new courthouse is being erected in Sheridan County, and several larger water-conservation projects, all of which are certain to be permanent improvements that will pay actual dividends for the money expended in labor costs."

C. K. Rockwell, president and general manager, the Wapakoneta Daily News, Wapakoneta, Ohio

1. Formerly a problem for neighbors and relatives: "Relief in our community is no problem, as the relief lists now contain comparatively few names and these are a class of people who are, practically speaking, unemployable and always have been so, as they won't work except under dire necessity and are of questionable value when employed. I think every community has these people and I remember them when I was a boy, only they were a problem for their neighbors and relatives at that time—not the Government."

James E. Rockwell, publisher, the Independent, Murphysboro, Ill.

1. Get back to thrift and paying as you go: "We have piled up a public debt of $40,000,000,000 in our efforts to prime the pump and we are back where we were 5 years ago after having trained from 8 to 10 million people to look to the Government for permanent support. It seems to me the aim should be to get back to the old principles of thrift and paying as we go."

2. Coal and railroad industries suffering from subsidized water power: "The big industry in this region outside of agriculture is coal. The Federal Government, by subsidizing water power, has killed the jobs of several thousand miners and railroad men. Coal can compete with water power on an equal basis and hold its own, but coal cannot compete against a subsidized water-power industry. Both the railroad and the coal industry could hold their own against competition and prosper if they did not have Government subsidized competition."

W. R. Ronald, the Daily Republic, Mitchell, S. Dak.

1. Heads of families the only unemployed: "I hope your committee will find it possible to distinguish between the normal and abnormal list of unemployed, also how many of these people are responsible for the maintenance of a whole family. In many instances several members of individual families sought employment during the depression and a good many of these are still on the unemployment list. It would seem to me that the true list of the unemployed would include only

those who are individually responsible for the maintenance of an entire family, and, secondly, those who are employable. The unemployable should be cared for as a matter of permanent policy by their own communities."

John C. Shaffer, editor and publisher, Indianapolis Star and Muncie Star, Chicago, Ill.

1. Labor organizations, taxes, and the Wagner Act responsible for unemployment: "I am convinced that the increase in wages, demanded and secured by the labor unions, is the first and most important reason for the present unemployment. The businessmen throughout the country are so heavily taxed and so restricted by the Wagner Act that they are curtailing in every way possible their operating expenses and thus are disposing of a good many of their employees."

William Southern, Jr., the Independence Examiner, Independence, Mo.

1. Abolish the W. P. A. and cut down wages: "Abolish the W. P. A. Put the appropriation for Federal relief in the hands of the States. * * * The big mistake in the W. P. A. is the assumption that men should have a prevailing wage. In work relief or direct relief the amount should be just sufficient to aid and not so large that those on relief would prefer to stay there rather than work."

H. D. Strunk, editor and owner, McCook Daily Gazette, McCook, Nebr.

1. Eliminate graft; feasible projects; State responsibility; get work done efficiently. "Eliminate the graft from P. W. A., W. P. A., and such other departments. * * * Attempt only the things in the way of power development, as well as irrigation, etc., which are feasible (referring to such power projects as mentioned in Saturday Evening Post article). What our farmers need in this country is irrigation and not power. * * * Leave more responsibility for carrying out such work with the Governors of the States instead of centralizing these powers in Washington for the reason that your Governors do, or should, know more about their respective States than anyone else. * * * In W. P. A. attempt to educate those working as to 'how to work' and impress upon them the real reason for such assistance from the Government, rather than to encourage them to be shiftless with the thought in mind that Uncle Sam will take care of them the rest of their lives."

W. F. Wiley, publisher, the Cincinnati Enquirer, Cincinnati, Ohio

1. No more unemployment than in 1929: They won't work.

"It is my personal opinion that the extent of unemployment in the Nation has been decidedly exaggerated. In other words, I do not believe that there is appreciably more unemployment in the United States than there was in 1928 and 1929. I think in the earlier period as now a vast number of the so-called unemployed are unemployables, not necessarily because of any physical disability or age, but simply because they do not choose to work."

Jack Williams, editor and publisher, Waycross Journal-Herald, Waycross, Ga.

1. Encourage existing business; aid new industries; improve labor conditions: "It is our opinion that the administration can render its greatest service by encouraging business that is already in existence, also in aiding new industries to open up, such as manufacturers of raw materials in the South; finding new uses for our resources, etc. I mean by this, encouraging manufacturers in developing starch mills to use our sweetpotatoes; paper mills to use the clays of Georgia; the development of the fish industry along the southern coast; the protection of wildlife. It is my belief that enterprising manufacturers, if they had some assurance that labor conditions were going to be materially improved, would begin to expand and build new plants, and our unemployment situation would be taken care of indirectly without so many organizations for this specific duty."

EDITORS AND MANAGERS OF DAILY NEWSPAPERS

P. C. Atkinson, editor, Eau Claire Leader and Daily Telegram, Eau Claire, Wis.

1. Finding jobs for unskilled and slow skilled workers: "I quote Mayor D. D. Lockerby of Eau Claire. He says the great problem is to find employment for the pick-and-shovel men—common labor—for there are, he believes, very few

so-called skilled laborers without employment. And speaking of skilled laborers, he said there were, he felt, many in the same class as one of the carpenters employed by the city. This man, he said, was a good carpenter, which meant that * * * he was a fine workman, * * * accurate to a hair and capable of the most exacting carpenter work, and absolutely dependable, but he was so slow that he could not get a job with any contractor. * * * It was largely skilled workmen of this kind who would be found among the unemployed skilled workers, he thought. * * *"

Paul Bellamy, editor, Cleveland Plain Dealer

1. Permanent census needed: "It is the duty of Congress to set up a system for a constant audit of the unemployment situation in this country. Without knowing how much unemployment there is, where it is located, and what industries are affected, it is impossible for remedial measures to be designed or applied with any accuracy. If any committee could be instrumental in getting this all-important survey set up and functioning on all fours permanently, it would be a great day for America."

Harry L. Bras, editor, Centralia Daily Chronicle, Centralia, Wash.

1. Put relief back into hands of local authorities; cut down list from one-half to two-thirds: "It is my belief that Government relief has been grossly encouraged by certain relief workers on pay. In the early part of 1932 I was a member of a local committee. We planted large areas of vegetables and were getting along fine. We kept those who needed relief at work in these gardens; we did not want, nor did we need, Government aid. Then came an order to supplant our committee, which was composed of local prominent businessmen who were giving their services, by a paid appointee. From that time on the list of relief beneficiaries doubled and trebled. The list then became secret. I could not get the names of those on the new list nor the number. Then came the W. P. A. and the P. W. A. I feel sure that a grave mistake was made when the welfare relief was taken from the local authorities. It is my belief that the relief list should now be cut down from one-half to two-thirds."

H. Galt Braxton, editor, Kinston Daily Free Press, Kinston, N. C.

1. Rugged individualism: "To be perfectly frank I do not look for any material results from such an investigation. Candidly, I think we are investigated to death. I am of the opinion that if the Government will lay off for a while and let individual initiative and resourcefullness again take its course, the American people will be able to get on better. I look with apprehension upon the extraordinary session of Congress and the prospective enactment of wage-and-hour regulations. Particularly do I deplore the provision for bureaucratic domination of industry."

C. E. Broughton, editor, the Sheboygan Press, Sheboygan, Wis.

1. Let the industrialist hire the unemployed at shorter hours and living wages: "While there seems to be a general tendency to pass relief back to the local communities, I am still of the opinion that the Government is best able to supervise this and to avoid favoritism. I know for a positive fact that industry is not assuming its full share of responsibility in meeting the question of unemployment. There are many concerns working long hours who could absorb the unemployed of the Nation—that is, the employables—if they would return to a 40-hour-week basis. In our particular city we have some seven or eight hundred on relief. Fully one-half of that number could be employed tomorrow, if hours were cut. * * * If we can impress upon the manufacturer that he will eventually pay in taxes if he does not employ, it may induce him to aid in the cause of recovery. It is now being brought home quite forcibly to industrialists that W. P. A. carries with it certain obligations on the part of the municipalities for material, for future upkeep, all of which means stretched and increased taxes. If the industrialists were to absorb employables at a living wage our difficulty would be solved."

Douglas N. Callander, managing editor, Malone Evening Telegram, Malone, N. Y.

1. Dry up this flood of waste and graft called relief: "The people of this locality are determined to get rid of the incubus of State aid. They are convinced that relief can be administered more satisfactorily and with much less expense by local

authorities acting independently. They feel that the present system is demoralizing to the recipients of relief. Trained investigators call upon them and encourage them to take more help, suggest balanced diets and urge them to demand foods of a class and quality that many taxpayers cannot afford. Relief clients live so well they have no incentive to go back to work * * *. We have formed a local taxpayers association and expect to continue to fight until we get the matter under local control again. We hope your committee will do a thorough job of investigating this problem and that you will recommend legislation to dry up this flood of waste and graft."

E. F. Crane, editor, The Burlington Free Press, Burlington, Vt.

1. Let industry solve the unemployment problem: "Government must either trust industry and give it more support in working out the unemployment problem, or take the full responsibility for it, which means complete regimentation of industry as in Italy and Germany today. No half-way measures will solve the problem."

Lee Elimaker, editor, Philadelphia Daily News

1. Crop control and tariff: "How much unemployment has been caused and will be caused in this country by (1) the loss of our time-honored markets for agricultural products due to crop control; (2) how many could be put to work if the cheap goods manufactured in China and other foreign countries were kept out by higher tariff walls?"

Roy Gilland, editor, The Beacon News, Beacon, N. Y.

1. Municipal public works: "It will always be necessary to provide some sort of public work for a limited number of men and women who are not absorbed into industry. This should be a permanent feature of municipal government, however, and should be financed from current taxes rather than bond issues and is the local end of emergency employment."

T. C. Gooch, editor-in-chief, Dallas Times-Herald, Dallas, Tex.

1. These previously supported by relatives: "I believe many persons previously supported by relatives as a self-respecting duty are now on relief. Is it possible to get this information? (What is your present income?) (Previous to going on relief what was your occupation?) Or (previous to going on relief who supported you?) (Why was this support discontinued?)"

D. W. Grandon, editor and manager, Sterling Daily Gazette, Sterling, Ill.

1. Nonrelief foreman to superintend projects: "One of the great needs, a strong Democrat who happens to be managing editor of this Republican paper suggests to me, that wherever relief workers are on a job there should be a man outside of relief appointed as foreman or superintendent, a man who knows how to handle labor and has had experiences. The work would go forward very much faster and Government would get very much more for its money."

W. H. Grimes, managing editor, the Wall Street Journal, New York City

1. Plight of the unemployed city worker in the white-collar group not sufficiently stressed: "The plight of the unemployed white-collar or office worker is not receiving the attention that its importance warrants. I have had contact with the unemployed in this field and also with the unemployed in the industrial and rural areas. I think the plight of the unemployed city office worker is the most pressing of the three classifications."

Dean Hoffman, editor, the Patriot and the Evening News, Harrisburg, Pa.

1. Relatives, seasonal workers, lack of standard income, raise the contribution of localities: "A study of the unemployment situation needs to take into account the shocking increase in disavowal of responsibility for those out of work or in distress by relatives as was years ago the accepted custom. Children allow parents to go on relief, brother ignores brother, parents consent to public relief for sons, and so all over the family tree. This was not so in the olden days. Because it is so in this, relief figures are higher. * * * Another group on relief not there in other depressions comprises the seasonal workers either on the

farm or in the crafts. These workers in other days either accumulated enough during working months to tide them through the idle months with or without odd jobs on the side. * * * Today when these workers are without jobs and can show an absence of Government standard income, they are qualified claimants for relief. * * * We have a feeling that relief totals might well shrink if not only a measure of supervision but a considerable measure of financial responsibility for relief were, as your admirable proposal set forth, laid upon the local communities."

Phil Hoffman, editor, Oskaloosa Daily Herald, Oskaloosa, Iowa

1. Get back to relief normalcy of the good old days: "In the good old days—that is prior to 1929—we had a social-service worker in Mahaska County who was paid by popular subscription. Her salary, car, office force, and other expenses ran about $3,500 per year. The county paid all the other necessary expenses for food, clothing, shelter, medical attention, etc., at an additional expense of from $15,000 to $25,000 per year * * *. Now, after the depression is over we have an executive pay roll of $15,420 per year and are doleing out something like $200,000 per year. The 'abundant life' has surely struck our community. This summer we have had good crops, good prices for them; all of our factories running full time, and yet the relief load is six times our old 'normal.' It has scarcely been reduced at all from the depression peak * * *. The truth is, however, that our relief expense should be again reduced to about $50,000. That would mean the abandoning of the elaborate office set-up, firing of help, etc. That is a hot potato politically, when multiplied by every county in the United States. The only other alternative is to turn relief back to the individual community."

Paul Kammerling, managing editor, Abendpost Co., Chicago, Ill.

1. Unemployed should take any job offered and W. P. A. wage rates should be cut: "A carpenter for instance should not refuse a job in any other line or occupation, if he is able to fill it. He should not wait until a carpenter job is offered to him and in the meantime draw relief money, but he should be made to accept any job offered to him, that he is capable of filling, or lose his claim for public assistance * * * W. P. A. workers should not get the same wage rates as people employed by private industry because if they do, there is no enticement for them to look around for jobs with private concerns."

Lynn W. Landrum, editor, Dallas Journal, Dallas, Tex.

1. Biennial census and vocational training: "I suggest (1) Biennial census of unemployment by trades and occupations; (2) Federal encouragement of night schools, trade schools and apprentice training to facilitate accentuation of training in those occupations which are gaining and to aid displaced workers to learn new trade * * * (3) Give the country a chance to settle down and go to work for its own subsistence by the sweat and brains that God made us with."

Verna Gates Hospelt, editor, Colton Daily Courier, Colton, Calif.

1. Aliens, employment of citizens, chiselers, able relatives: "Some of us who are being forced to pay out every penny we can squeeze out of our small businesses for taxes which go to keep the people we see rocking and smoking on their porches as we drive home from hot dusty workshops, have to grit our teeth to remain good loyal American citizens under the present system. (1) Send all unemployed aliens to their native countries; also all employed aliens who had not taken out citizenship papers previous to January 1, 1937. (2) Promote a patriotic campaign among employers of farm, orchard, packing house and factory workers to urge employment of Americans, instead of Japs, Mexicans, Filipinos, etc. (3) Pass legislation making it compulsory for children earning $100 or over per month to pay at least one-tenth of their salary or wages toward support of their parents, if such parents are on relief. (4) Take every able-bodied man and woman off relief who declines to work for a private individual or firm, if such work offers a livable remuneration."

E. T. Leech, editor, the Pittsburgh Press, Pittsburgh, Pa.

1. Registration cards for recipients of relief: "Our reporters who have studied relief problems constantly find that there are duplications of payments and that at least a part of those who get relief money also have private employment, the

system of checking being so loose that duplication of payments is difficult to detect. It seems to me that only when every recipient has a registration card without which relief cannot be secured and only when provisions have been made for recording the number of the registered person whenever he accepts private employment, will some of the waste and inefficiency of the present system be eliminated."

2. Census to include employed as well as unemployed: "Since a certain number of the population fluctuate back and forth between the employed and unemployed classes, unless both groups are included in a census it cannot possibly furnish adequate information."

Max Leuchter, editor, Evening Times, Vineland, N. J.

1. Effective manual training schools: "National, State, and local governments should join in a concerted effort to reduce unemployment by fostering manual training schools that are genuine trades schools, and not the sorry substitute I find existing in our community for lack of funds to do a better job. You must believe me when I tell you that in 12 years I have not been able to hire a printer who was taught in the supposedly efficient printing courses given at our local high school. Legislation will never make skilled workers out of raw material. Facilities and funds will. It may interest you to know that a great many of our students who complete high school, and that means a 2-year smattering of the trades courses, wind up as gasoline-station attendants. * * * I also believe that a shortening of the work week is very beneficial."

Edward Lindsay, editor, Decatur Newspapers, Inc., Decatur, Ill.

1. Pension those now on relief; compulsorily retire those above 60 employed: "Let's be realistic. Most of the persons now remaining on relief rolls belong to a lost generation. Because they have lost the desire and the ability to work, or at least because employers think they have, they are doomed for the rest of their lives to be public charges in one way or another. Why not solve the problem simply and finally by agreeing to take care of all relief clients of this date with a pension that will keep them at a subsistence level and eliminate them from our thinking as we attack the second phase of the problem—economic readjustment to prevent the development of another lost generation? * * * An amazingly large number of men past 60 are actively engaged in work. This suggests a further extension of the Federal pension plan now in effect and supported alike by employer and employee."

E. W. Opie, general manager, Leader Publishing Co., Staunton, Va.

1. Let the localities handle the job—the unemployed can't hold work. "Relief and unemployment in other than metropolitan centers should be turned back to the communities. * * * In the smaller communities such as our own, there is no longer any general unemployment of employables. Relief rolls are continued because many of those on relief dodge private employment and because administrators want to hold their jobs. Most of those on relief or doing project work have never been able to hold jobs because of shiftlessness or inefficiency."

Foster W. Riddick, editor, the Commerical-Mail, Columbia City, Ind.

1. Old-age pensions demoralizing some: "We have had instances in Indiana where individuals, who for a dozen years or more would not have considered the possibility of seeking aid from the taxpayer, have disposed of their real estate and other property to relatives and made application for old age monthly aid, apparently with the feeling that 'Lots of other folks are doing it and I might as well do the same.' "

Robert W. Ruhl, editor, Mail Tribune, Medford, Oreg.

1. Scientific survey needed: "First, a thorough scientific survey determining the exact number of employables on one hand, those willing and able to work but unable to find work on the other. I would confine Federal relief to unemployables and to those able and willing to work, but unable to find same."

Harry T. Saylor, editor, New York Post, New York City

1. Separation from W. P. A. not warranted by the present state of recovery: "More misinformation has been published about unemployment and relief than any other two collateral issues now before the country. I am in a position to give you the following opinion, based upon a questionnaire which our newspapers recently sent to 1,000 former W. P. A. workers who were discharged 2 months ago. Through these questionnaires and through personal interviews we undertook to discover what happens to the average W. P. A. worker who loses his job. We are now sure that: (a) He returns to the relief rolls; (b) at least 8 out of 10 try to get jobs in private industry; (c) far less than 10 percent succeeded during the 2-month period. I think this is very bad for two reasons: First, the spirit and morale of the discharged W. P. A. worker are broken, and secondly, his relief allotment is so inadequate that he is taken out of the ranks of normal retail customers. * * * I think there is no doubt that private industry has been absorbing some of the former W. P. A. and relief recipients but that the Government's policy of reducing the rolls on W. P. A. has been too rapid and is not warranted by the present state of recovery."

William B. Smith, editor, the World-News, Roanoke, Va.

1. Seasonal unemployment, vocational training, hand-labor projects, road building: "There is need for more emphasis on vocational training. Most of the unemployment at present is among those willing to 'do anything' but who do not know how to do anything. There is need for more seasonal variation. Just now in this apple-growing section there is an acute shortage of common labor for apple picking and packing. When that season is ended, many of these temporary employees will be without resources for the winter. Communities are finding hand-labor projects too costly. We have graded our airport by pick and shovel, and now find we could have done it for less money by contract, without Federal aid. Increased Federal aid to the States for road building could be made to take up the slack of rural unemployment in off-season peaks."

E. A. Soderstrom, managing editor, the Columbia Missourian, Columbia, Mo.

1. Annual census; rural subsistence homesteads; birth control: "(1) Yearly census and registration, plus classification of all unemployed through present post-office system. No voluntary registration, no assistance. (2) Rural subsistence homestead centers under strict control of expert agricultural managers for those who are unfitted for regular employment under modern conditions. * * * In all cases make everything as nearly self-sustaining as possible. (3) Birth-control information and equipment to every unemployed married couple."

William Allen White, editor, Emporia Gazette, Emporia, Kans.

1. Unemployment a Federal problem: "It seems to me that unemployment would be most effectively handled if it is taken off its present emergency basis. Unemployment is a permanent charge against the machine age—the price we pay for mass production, which itself raises the living standard by increasing goods which, if produced, must be distributed, some way. So that the problem of unemployment becomes a Federal problem, and the only common agency which can touch all industry and conserve the human waste of the national industrial machine is the Federal Government."

2. Drastic civil service; permanent tenure and nonpartisanship in national board of control: "The very essence of accepting the Federal unemployment program should be a drastic civil-service requirement. Perhaps the head of this bureau on unemployment should be permanent; indeed, perhaps the bureau should not have a head but a commission, which could not be overthrown in one administration; a commission with 6- or 8-year terms, expiring at different biennials. * * * For if we go into this as a permanent national job, appointment to the head of that bureau should be like appointment to the Supreme Court. It is of so much more dangerous import than the other commissions which have no direct connection with the ballot box."

F. E. Winsor, manager, the Chronicle-News Publishing Co., Trinidad, Colo.

1. Stranded area; coal mining; jobs also going begging on farms: "Here relief needs have been increasing from time to time rather than lessening. There is a very large Spanish-American population and an overwhelming percent of them are on relief or served by W. P. A. projects. The decline of coal-mining activities, the abandonment of so many mining properties, have naturally added to the number of unemployed. But paradoxically as it may sound, there are jobs going begging * * * farmers * * * are seeking men for harvest work and seeking in vain."

Leo Wolfsohn, managing editor, the Milwaukee Leader, Milwaukee, Wis.

1. Planning or surveys and shorter hours: "A system of planning to avert joblessness is just as essential as planning for any other great social good. Surveys of the situation—the available jobs there are, not the effective demand for work—should be periodically made and be all-inclusive. On the basis of those surveys the planning must be done. It would then be discovered, I think, that the elemental requirement will be so to shorten the hours of labor as to take up as much of the unemployable slack as possible."

2. Retirement at 60 or less: "A system of retirements should be instituted by which men and women in industry no matter in what capacity may at, say, the age of 60 or even less be permitted to retire on adequate retirement incomes. This retirement, if the income is adequate, will be accepted, it will be found, by the great majority of workers.

3. Education and subsidies up to age of 22: "Education should be made so easily attainable and the demand for it so greatly fostered that youth, boys and girls, can be kept in schools and colleges up to the age of at least 22. Subsidies will have to be provided to make this possible. * * * Education must be redesigned on a broader base, to include types not necessarily studious. The C. C. C. somewhat points the way."

J. H. Wolpers, managing editor, Daily American Republic, Poplar Bluff, Mo.

1. Can't cut relief fast enough. "My opinion is that public support of the unemployed should be diminished as fast as possible, and that means a good deal faster than a great many people would agree to."

2. Increase the farm population: "Let us encourage a larger percentage of the people to live on the farms. Out here in the West there are millions of acres of land that should be put into a high state of production, that are being farmed or trying to be farmed in mass production, with the result that it is not producing homes or paying for the effort put forth. There is no reason why these fertile expanses should not be owned and operated in small farms on the pattern of New England farms."

MAYORS AND CITY MANAGERS

J. H. Allen, mayor, Des Moines, Iowa

1. Back to the land: "We should formulate a national reforestation program, whereby people would be permitted to homestead land in the cut-over timber areas. * * * If a plan could be worked out, whereby this land could be acquired and people allowed to homestead, they could live in villages with clearance around the homes, and gardens could be planted and poultry raised. * * * These people would have to be subsidized until the timber would come to a marketable age. * * * There are millions of families that would welcome the opportunity to undertake propositions of this kind, and accept half what the Government is now paying to the men in reforestation camps, for subsistence, and allow the balance to be applied on their purchase or homesteads."

Richard E. Allen, Jr., mayor, Augusta, Ga.

1. Cities can't carry load alone: Relief "should be a joint responsibility of the Federal, State, county and city governments, that is, if the State government will cease grabbing the county's and city's tax privilege and appropriating it to themselves. If that trend is continued, certainly in Georgia the whole relief burden will have to be borne by the Federal and State governments, as neither the city nor the county will be in a position to carry on anything except the barest functions of government."

Joseph A. Brophy, mayor, Elizabeth, N. J.

1. Radical relief change hard on cities of industrial character like Elizabeth. "I do not see how the Federal Government can abandon its W. P. A. program without working considerable hardship upon municipalities. There can be, and no doubt should be, less and less W. P. A. projects, as conditions continue to improve and our local industries absorb more and more of our unemployed. But right now any radical departure from the program in force would throw hundreds back on our relief rolls * * * for a long time to come this city's relief load will be such as to make it impossible for the municipality unaided to finance it."

George E. Brunner, mayor, Camden, N. J.

1. Cities still need Federal aid: "Our city, and, no doubt, other such cities are just starting to see daylight, as it were, and my humble opinion is that the only way for recovery to continue is for the Federal Government to adhere to its policy of rendering financial assistance until the Nation as a whole is restored to a normal state * * *."

Frank Couzens, mayor, Detroit, Mich.

1. Heavy industry's age limitation: "Another direct reflection of unemployment is the fact that heavy industry's reduction in age-limit requirement necessarily forces these persons to seek relief. A recent local analysis of W. P. A. local pay rolls indicates that 74 percent of all workers on W. P. A. are past 40 years of age, and that the percentage of the older age proups is gradually increasing these rolls. Sixty-two percent of the total range from 41 to 60 years."

2. Two to 4 weeks off job and then on relief: "The present seasonal lay-off has been in process since the 15th day of July and reached its peak about August 10. This, of course, occurs on the same relative basis every year. It has generally occurred for inventory purposes and in some cases for retooling and redieing in change of models. These employes, as statistics show, are only able to carry themselves approximately from 2 to 4 weeks before applying for relief and when the plants resume work there is always a percentage that is not recalled; consequently, at these intervals welfare loads are increased with a great number of employable people, and it becomes necessary for the community to provide for their families until the employment situation again readjusts itself to absorb this temporary excess."

James S. Dean, city manager, Sacramento, Calif.

1. Complete and accurate survey of unemployed: Let the unemployed be segregated into (1) "those who are fully qualified and trained and physically able to work; (2) those who are physically able but not sufficiently trained in any particular way to be able to secure and hold work; (3) those who are mentally unfit for adequate training; (4) those who are able but refuse to work; and (5) those who are physically unable for any reason."

Dorton, R. M., city manager, Long Beach, Calif.

1. Federal aid for migratory workers. "Southern California, and particularly Los Angeles County, in which our city is located, is confronted with the very serious problem of the care of the indigent and the unemployed from various sections of the country * * *. This tide of immigration * * *. The burden is very obviously heavier than our city and county governments can carry. I feel that the Federal Government should share a fair proportion of this relief load. We feel that the burden should be shared by the taxpayers of the country as a whole. * * *"

Meeyer C. Elienstein, mayor, Newark, N. J.

1. Cannot finance relief locally: "As president of the New Jersey State League of Municipalities, its members comprising at least 90 percent of the State's population, I can say with certainty that the municipalities in New Jersey with a large relief load cannot finance relief locally. Many of our municipalities, facing insolvency, are having their fiscal affairs administered by a State commission. Property taxes have reached the point where they simply cannot be stretched to include the cost of relief. Although we have had some State aid during the last 2 years, it was substantially short of actual needs, and the supplementary sums which local communities had to provide meant increasing tax

rates and the public debt to a forbidding extent * * * the Federal Government must be the medium for making available relief moneys * * * our municipalities should bear * * * the costs of administration."

E. B. Erwin, mayor, Salt Lake City, Utah

1. Cannot assume greater financial responsibility: "It was our unqualified conclusion that neither Salt Lake City nor Salt Lake County is in a position to assume any greater responsibility in the matter of unemployment and relief than at present * * *. It is our belief * * * that an unemployment condition still exists far above normal. Federal relief should be afforded on the present level for some time and any eventual reduction in Federal financial aid for purposes of absorbing labor and affording relief should be based upon such surveys as yours when they conclusively show that the unemployment situation is moving toward the normal."

W. E. Fitzgerald, mayor, Wichita Falls, Tex.

1. Subsistence farms: "* * * there are a great many people in this section of the country who are unemployed, and in view of the cold weather season approaching, they are going to be in dire circumstances. I do not know what we can do with * * *. I think the move of the Government to put them on subsistence farms helps in a great measure to better the condition of those who are worthy and want to do something for themselves."

C. A. Harrell, city manager, Schenectady, N. Y.

1. Possibilities for employment: "In order to get the greatest benefit from this survey it should include a study of additional employment possibilities in new industries and new useful services not now rendered but which many of our citizens would enjoy and which would help make our country a better place in which to live."

2. Classification of unemployed: "In the survey those unemployed or on relief might be segregated as follows: (1) Definitely unemployable; (2) unemployed through temporary illness or through physical condition that can be corrected; (3) employables. Those in this group might be further subdivided in the following groups: (*a*) Totally unskilled where because of age or low mentality vocational training is not advisable; (*b*) those who might be benefited by such training and aided to become self-sustaining."

Robert M. Hitch, mayor, Savannah, Ga.

1. Poor farms and homes for the poor: "I fear there will always be, in all centers of population, a substantial number of unemployables * * *. I sometimes wonder if poor farms, near the cities, where this class of people could be partially self-supporting, and homes for the poor within the cities to take care of the percent unable to do any work at all, would not be a step in the right direction. This is an old remedy, and we may have to come back to it."

Harry E. Howse, mayor, Nashville, Tenn.

1. Social security legislation not providing for the unemployed residue: "My impression is that the Government's social-security program, participated in by the States, is leaving and will leave a large residue of unemployed, consisting of unemployables and of those least likely to be absorbed in industry and business by reason of age, lack of skill, lack of education, lack of training, lack of experience, or lack of good habits. The relief for that large residue of unemployed must be furnished by the National Government, possibly in part by the States. The National Government and the State are the only units of government that have the taxing power and the resources. The problem of these unemployed is a national one and is brought about by conditions that are Nation-wide in scope."

H. C. Laughlin, city manager, Kenosha, Wis.

1. Small businessman and professional hard hit: "I am of the opinion that the inability of individuals to carry on successfully their individual enterprises, such as small stores, one-man real-estate offices, insurance agents, and innumerable other vocations that heretofore were possible and which now by reason of mass production and concentrated efforts of large aggregations of capital has to a marked

degree made impossible * * *. Many of these persons * * * are at an age of middle life or older and they now find themselves unable to meet competition and have fallen by the wayside as far as being able to continue in business is concerned * * * their savings in many cases are entirely depleted, they find it extremely difficult to secure employment in competition with younger men and women, and consequently are forced to go to the relief department."

Dr. T. A. Fenney, mayor, Tulsa, Okla.

1. The problem of the older worker: "In our opinion, the greatest problem facing the relief of unemployment is the fact that corporations, insurance companies, and compensation associations prohibit the employing of men over 40 years of age regardless of how skilled they may be in their particular line * * *. Likewise, many skilled men under the age of 40 who have slight physical disabilities, but who are not incapacitated in their trade or profession, are also unemployed."

E. C. Rutz, city manager, Kalamazoo, Mich.

1. Junior placement bureau, United States Employment Service: "We have had here for a time an office termed the junior placement bureau, which deals almost entirely with young men and women, seeking to place them in employment. This year the bureau has placed 270 young people in industry. The office has been very important, because it gives aid to young people with no job-seeking experience, and should be continued. The National Youth Administration has notified us, however, that they can no longer pay the supervisor. It seems to us that the most important phase of the present situation is the solution of how to get young people started in employment that will make them self-supporting citizens of the future. The placement bureau as operated here was a definite aid.

2. Make the Civilian Conservation Corps camps vocational schools: "We believe the time has come to change the Civilian Conservation Corps camps into vocational schools, which will give these young men instruction in some chosen work that will make them employable to advantage when they leave camp * * *. The applicants could signify their wish to learn some particular trade and be sent to the camp specializing in that trade."

W. H. Story, city manager, Springfield, Ohio

1. "Tell Them To Go To Work and Cut Off Their Relief." "When relief was first turned over to me there were 2,600 families receiving relief. Today there are 83 families receiving relief. That tells the story. All it took was somebody with fortitude enought to tell them to go to work and cut off their relief." Relief was turned over to the city on July 1, 1937.

Bert C. Wells, city manager, Wichita, Kans.

1. Reduce Works Progress Administration wages: "When relief first started in Wichita the city was the only branch of government that could handle the situation. One of the principles we advocated at the time was that relief should be given in return for work and the wages should be such that those receiving relief should prefer the other jobs that might be available to relief work. As I recall we paid 20 cents per hour for common labor. This was justifiable also in that the work done through relief was not equivalent to work done by contract and the use of machinery. Therefore, the party receiving the benefits should in that way share the loss. I still think this principle is correct for these reasons and for the further reason that now we have a shortage of labor in certain lines due to the fact that labor prefers to work on relief due to the higher wages and easier working conditions."

GOVERNORS OF STATES

George D. Aiken, Governor, State of Vermont

1. Grants-in-aid: "We are still of the opinion up here that grants-in-aid to be matched by State or community will provide the most relief for the least expense, but we also fully realize that certain regions needing the most relief are perhaps least able to match Federal funds."

Carl E. Bailey, Governor, State of Arkansas

1. Industrial production must expand further: "Business in general is almost equal in volume to that of 1929, but there are between 20 and 25 percent fewer employees required * * *. These are industrial workers only * * *. Compared with our certified load during 1934, we find that with business back to what was formerly considered normal, only half of the unemployed have been reemployed. Several thousand young people each year coming into the labor market has helped 'freeze' this load of relief clients by getting the jobs the relief clients formerly held. The fact that it now takes fewer employees for the same volume of business, then, is the answer to why only about one-half of the depression victims have been reemployed."

2. Agricultural distress—Operating with day labor: "Agriculture has an additional problem to this and the present trend of displacing tenants and operating with day labor makes it necessary for this labor to go on relief or find urban employment about 8 months out of the year. The problem of submarginal land, increasing use of farm machinery, and incomes so low that their homes are hovels of poverty, leaves the condition unsolved and growing worse."

Fred P. Cone, Governor, State of Florida

1. Transfer surplus labor from cities to agricultural centers: "If something could be provided whereby the surplus labor in the industrial centers could be transferred to the agricultural centers the country would be relieved of a great deal of expense in both sections * * *. Some of the cotton section are having hard times in getting sufficient people to pick cotton and do other agricultural work. The fruit and vegetable sections of Florida are in need of labor all the time. * * *."

Henry Horner, Governor, State of Illinois

1. Health insurance: "Since studies have revealed that sickness is a very common cause of unemployment it appears that any program of social security will be incomplete until a national system of health insurance is established."

2. Limitations of unemployment insurance: "The effects of unemployment insurance might easily be exaggerated. Mr. Corrington Gill, Assistant Administrator of the Works Progress Administration, in a recent address before the Municipal Finance Officers' Association meeting in Boston, stated that the unemployment-benefits program will not be in full operation for another 2 years, that the design of the program is primarily to take care of short-term and seasonal unemployment or of that type of chronic unemployment * * *. Mr. Gill further stated that unemployment insurance will not basically affect the problem of the relief of destitution caused by long-term unemployment as proved by the experience of Great Britain, where with an insurance system dating back to 1911, the Government is forced to have recourse to two additional forms of aid—unemployment assistance and poor relief."

William Langer, Governor, State of North Dakota

1. Crop failures and farmers becoming wage workers: "This investigation will be doubly welcome in North Dakota because we have a crop-failure problem in many parts of the State in addition to our relief and unemployment problem. Because of this situation many farmers of this State are becoming wage workers which will have a tendency to aggravate the unemployment and relief problem * * *. I also think that statistics obtained from this survey should be broken down sufficiently to give each State a clear picture of its own * * * problem."

MISCELLANEOUS

Roy Anderson, editor, Ketchikan Alaska Chronicle, Ketchikan, Alaska

1. Development of Alaska forests, fisheries, as employment possibilities: "Southeastern Alaska forests are capable of producing in perpetuity at least a fourth of the present American consumption of newsprint, most of which is now imported from foreign countries * * *. If the Government would spend just a trifle less on Works Progress Administration and a trifle more on scientific investigation of the Alaskan fisheries, isn't it possible that new uses would be developed which would create additional byproduct industries and thus expand employment * * * if only the Congress takes every opportunity to encourage expansion of industry instead of discouraging it."

Jacob Baker, president, United Federal Workers of America, Washington, D. C.

1. Unemployed Government workers: "The Economy Act of 1932 resulted in a widespread dismissal of workers here in Washington which created a very real social problem in the city. With the impending shifts of personnel under the Reorganization Act, we are concerned that a similar situation shall not develop."

2. Continuing study of problem: "We have observed with a great deal of interest the work done by the national research project operating under the Works Progress Administration, which is concerned with the study of technological unemployment, geographical and other shifts of population and industry that result in unemployment, and all of the problems attendant upon these two major factors * * * you may wish to consider the possibility of recommending that a continuing study of this kind be set up in a permanent department—perhaps under the Bureau of Labor Statistics or otherwise—that might facilitate governmental policy-making in connection with these problems."

Fred Brenckman, Washington representative, the National Grange

1. Let the States pay to the extent of 40–50 percent: "I am very firmly convinced that tremendous savings could be effected in the distribution of relief funds if the States were required to match Federal appropriations on a given basis, say 40 or 50 percent. The amendments suggested by you and the late Senator Robinson in connection with the work-relief appropriation at the last session met with my full approval * * *. The question of the States' ability should probably not be raised. Otherwise, practically every State would be willing to subscribe to a pauper's oath in order to escape local taxation and saddle its obligations upon the Federal Government. It seems to me if the States cannot carry these burdens individually, then it necessarily follows that the aggregate load is too great for the Federal Government."

W. C. Burrow, commissioner, department of industrial relations, Frankfort, Ky.

1. Necessity of Federal wage and hour law. "Our experience in Kentucky has shown that a great number of employers immediately lengthened hours and cut wages following the death of National Recovery Administration. Organized labor in many instances has reestablished shorter hours and minimum wages, but this organization work has been in spots and in many cases is detrimental to the employer because his competitor is just across the State line and has been able to keep away from collective bargaining * * *. I believe the only remedy for unemployment is to establish a Nation-wide maximum work week of 40 hours or less, which will necessitate minimum wage legislation as well, in order to keep from lowering the present wage standards."

George H. Davis, president, Chamber of Commerce of the United States, Washington, D. C.

1. Numbers unemployed normally seeking work for hire: "The number of persons who, at the middle of September 1936, were able and willing to work, and would normally find employment by working for others for hire, but who were at the time without employment in private enterprise, was 4,000,000, at the outside, according to the chamber's committee on employment. Corresponding calculations for the middle of September 1937 I might add, indicate that as of that date the number was not in excess of 2,000,000."

Martin P. Durkin, director, department of labor, Chicago, Ill.

1. Relief a permanent problem now, as in Great Britain: In Britain there is unemployment insurance and unemployment assistance. "The former recognizes the right of the individual to compensation and the second rests upon need. The same sort of distinction needs to be made, in my judgment, in this country * * *. Observation seems to show that a certain percentage of persons now on relief are submarginal labor and to include them in any complement of the productive factors would result in a loss to a particular enterprise. For this reason, and for this group, we must regard relief as a permanent affair.

2. The youth without experience: "There is another portion of those persons now on relief who have never been employed and whose employment value is affected by the lack of opportunities for employment. For this group, it seems to me that the retraining schemes or educational arrangements similar to those now in effect in Great Britain are suggested."

J. H. Fallwell, director of public welfare, Roanoke, Va.

1. Vocational training for adults: "The average domestic earns from $3 to $5 per week in the untrained group; where there are never enough trained domestics at from $7 to $10 per week. Lack of definite skill or occupation then is certainly one problem that should be met * * *. It would seem then that more vocational training in our schools and vocational classes for adults would help.

2. Relief money inadequate to handle all types of cases: "There is the group of partially disabled—high blood pressure, hernia, heart trouble, and the like—still able to do a considerable amount of work, but who cannot find light work and are unable to do heavy work. Added to this group are the shiftless, roving, irresponsible kind. We have always had some of this type of people, but the depression has doubled their number. Then there is the case of deserting husbands leaving a woman with a number of children to provide for as well as herself. Such a woman was formerly classified as unemployable, and where the children are small still is so classified, but in many instances the woman or the older children, or both, must seek employment, thus swelling the ranks of those already seeking work. * * * There is not sufficient relief money available to take care of such cases adequately."

Fred H. Flojozdal, president, Brotherhood of Maintenance of Way Employees, Detroit, Mich.

1. Effects of part-time employment on living standards: "I would like to emphasize the fact that the share-the-work or part-time employment practices, under which employed workers are restricted to a few days' work each week, have become a real menace to our living standards and to our general social and economic welfare. This has been a most difficult problem in the railway industry, with which I am in close touch, and I know in a general way that it is a serious problem in other industries."

2. Labor-saving machines—Study and records available for committee: "Our organization has made a very thorough study of the extent to which railroad maintenance-of-way employees have been displaced by labor-saving machines and devices * * *. We shall be glad to make these records available to your committee if you feel they would serve any worth-while purpose."

Emil E. Fuchs, chairman, Unemployment Compensation Commission, Boston, Mass.

1. The depression not ended; 5-day week favored: "Judging by the number of educated, self-respecting men and women who are seeking employment in this department, willing to take positions at $80 a month, I feel that the termination of what we call the depression has by no means arrived. I might also desire to be recorded in favor of a 5-day week, on the theory that it will embrace the further opportunity to place a great many people who are still out of employment."

Chester H. Gray, Washington representative, American Farm Bureau Federation

1. How soon can the Federal Government retire from relief: "Farm sentiment, without having any accurate census as the basis of the statement, is overwhelmingly antagonistic to a further continuance of the Federal Government in the employment and relief activities, other than to fulfill whatever obligations, contractual or otherwise, are current."

2. Localities and private relief should again handle problem: With the return of normal economic conditions "townships, precincts, municipalities, counties, and the State can well reassume their former obligations along charitable lines * * * charitable organizations * * * could easily take over the functions which formerly they carried on so admirably of tending to those who are unemployed and who actually need relief."

Harry B. Haines, publisher, Paterson Evening News, Paterson, N. J.

1. Social-security extension, stabilization of wages, child labor, and southern competition: "It is my thought that if the Social Security Act can be broadened so that it can embrace within its provisions various employments not now covered, such as domestic services, agriculture, national bank employees and employees of eleemosynary institutions, this broadened coverage will be very helpful * * *. I believe that stabilization of wages is absolutely necessary, that child labor should be forever banned, and that less working hours per week will be the major contributing factors in meeting our relief load tomorrow * * *. Here in Paterson

especially does the silk industry suffer severely because it is in competition with the output of the South where long working hours and starvation wages are the order of the day, and I respectfully submit that one of the bounden duties of the Congress is to make diligent inquiry into this phase of our industrial life."

William C. Headrick, save-the-children fund, Knoxville, Tenn.

1. Government aid to the mountain folk: "There are many more people living in the mountains than can earn a decent living * * * The farms produce inferior products and there are few markets for them; the markets are far away. There is a background of generations of illiteracy. The people are in poor health * * *. Individual families are too large * * *. Wholesale removal of the people seems unlikely. It appears then that whatever effort is made by the Government and by the individual States and by the private agencies and boards might well be directed toward helping the people themselves; helping the people solve the problems themselves * * *. No private agency could more than scratch the surface. For that reason it seems to me to be a problem that merits national and governmental attention."

Clarence Hebb, editor, New York Daily Investment News, New York, N. Y.

1. Character of recent recession in business: "For my own part, I think that many industries acquired excessive inventories of heavy materials, that the liquidation of the armament boom in Europe was a very important factor, and that narrowing profits of corporations, due to the rising price level and wages, choked off plans for capital expansion increase of facilities of production * * *. The prospects for automobiles are doubtful. New models, in which there is a very little change from old models, are being offered at higher prices * * *. The utilities are large potential customers of heavy industries, and their expansion to the rapidly increasing use of electric power probably has far to go. But the utilities are one of the New Deal's favorite 'whipping boys' * * *. It might or might not be feasible, but I think you might consider the possibilities of exempting from taxes amounts spent by the railroads out of income for purchase of new equipment, as well as for maintenance."

Jacob B. Hollander, professor, Johns Hopkins University, Baltimore, Md.

1. Intensive studies of industries and localities: "(1) A fair number—perhaps 10—of the basic industries of the United States might be studies from the angle of labor employment, to the end of determining the nature and extent of technological displacement, lessened requirement, and so forth * * * (2) similarly, a fair number—perhaps 10—of the important industrial communities might be studies to the same end of ascertaining and analyzing the experience with respect to wage-earning employment in the past decade."

B. H. Hovde, director, department of public welfare, Pittsburgh, Pa.

1. Planned public works—Their limitations and values: "It is necessary to recognize that within the framework of our capitalisistic system public works can adequately meet but a relatively minor degree of unemployment. If it goes beyond the rather limited field of clearly recognized public function, it either becomes competitive with private industry or it falls into the error of boondoggling * * *. There is powerful argument for expanding the scope of government in time of unemployment to include the production of consumers' goods in otherwise idle factories by the unemployed, but one rule that should never be violated is this—that projects must be socially useful * * *. The plans should be fully completed and on hand for at least a 4-year period in advance in order to allow for quick expansion to meet unemployment. In our recent depression it was a common and, I think, uncivilized practice to plan the work so as to take up as much human labor as possible and never to use machinery where hand labor will suffice. It is entirely demoralizing to workmen accustomed to the high standards of machine production to work with pick and shovel * * *. The chief object of a public-works system is to create as much purchasing power as possible."

2. Department of Social Affairs, participation by Federal Government: "The Federal Government should, and I believe it constitutionally could, make grants to the States in support of unemployment insurance, public works, and direct relief. * * * It would be reasonable and well for the Federal Government to prescribe fixed minimum conditions * * *. In order to give permanence

and stability to Federal participation, there should be established by act of Congress a separate Department of Social Affairs, with a Secretary of Cabinet rank, and with appropriate bureaus for the administration of unemployment insurance, direct relief, old-age pensions, health insurance, child welfare, a statistical service * * *."

Paul Jessen, State director, United States Department of Labor, Nashville, Tenn.

1. Extensive educational program: "These suggestions are based on a long-range plan and program which I believe to be the only type worth while, and their immediate effect would not be great nor result in any immediate reduction of relief needs: (1) Secondary public-school curricula should be revised so that the trend is away from the college preparatory function and toward technical vocational preparation; (2) there should be a closer correlation between the United States Employment Service and the public schools in the matter of interchange of information, vocational guidance, and job placement; (3) all relief clients should be given a clinical vocational analysis which would determine the cause of their present unemployment, and in those instances where lack of specific skills is the primary cause relief money should be spent for vocational training, designed to permanently make the individual self-supporting, rather than to merely keep the individual alive without improving his ability to support himself; (4) enforcement of compulsory attendance in public schools and a possible revision of college curricula on the general plan of foundation work for the first 2 years and specialized and vocation training thereafter."

W. A. Julian, treasurer of the United States Business Advisory Council

1. The plight of the Negroes: "There is the forgotten question of the colored people * * * . They have drifted into the city and they are hopeless, helpless, and hapless. I believe they lend themselves to colonization and should be taken back to the country where they can make a living for themselves and their progeny. Otherwise I fear we will be eaten out of house and home, for no country can feed, house, and clothe one-third of its inhabitants and not go broke."

William J. Ryan, superintendent, Hartford Department of Public Welfare, Hartford, Conn.

1. Classes of persons on relief—(1) Unskilled workers; (2) inexperienced young men and women; and (3) persons needing rehabilitation to become self-supporting, type of clients contained in the employable group receiving direct relief. "Many of our unskilled workers are alien laborers who present a difficult problem. They are men with little or no education and their ages range from 40 to 65 years of age. The majority of these cases would not respond to rehabilitation * * *. The National Youth Administration has done excellent work on youths of ages 18 to 25, but boys and girls of 16 to 18 years are left uncared for. Many employers find our youths are unprepared for business at the conclusion of secondary school education * * *. If our National Youth Administration would admit our youths of 16 to 18 years of age the problem would be temporarily solved * * *. We have another large number of men who, in the past, had gainful occupations, but who can no longer be self-supporting, either because of physical disability to perform habitual work or because of loss of skill due to a long period of unemployment. These men could be trained for other occupations but it is doubtful if they would make any attempt to secure this training on their own initiative * * *. If rehabilitation could be offered on a larger scale than is now being done by Works Progress Administration to our citizens with reasonable assurance of employment ultimately resulting, we have reason to believe that interest would be keen. However, much effort and pioneer work would have to be done to make this enterprise really successful * * *. There is still another smaller group of both men and women who have, in the past, been employed in clerical and sales work. These persons still have ability but are unable, with some exceptions, to be absorbed in private industry if they have passed the age of 35 years."

Charles Sattler, Division of Employment, Works Progress Administration, Charleston, W. Va.

1. Property and small income barring public aid: "By far the greater number of unemployed exists among that group who are not eligible, nor can they qualify for relief status by reason of owning some small piece of property, or some other small income in the home, which in itself is insufficient to properly provide for the needs

of that particular family, but by reason of such small income they are automatically barred from certification by the department of public assistance. This group numbers approximately 2,500 persons."

Roy S. Stockton, Chief, California State Employment Service, Sacramento, Calif.

1. Close relations of employment service and relief administration: "In this State a very close relationship has been builded between the State relief administration and the California State Employment Service. Conditions precedent to the acceptance by the relief officials of a client applying for aid is registration at an office of the employment service. After application is made with the service, cards are filed, occupationally, preferentially among all active applicants, and regular 30-day renewals of applications is demanded by relief officials before further relief is extended. Evidence of such renewal is indicated on an employment service identification card, which all applicants file * * *. In order to keep the subject of reemployment constantly before relief officials and "case aides" (or social workers), the employment service transmits a list industrially, of all unfilled employers' orders for workers at the end of each day, to local offices of the relief administration * * *. In the case of workers refusing to accept employment for which they were qualified, the employment service transmitted to the relief administration and to the State comptroller (in charge of the expenditure of money) the name of such persons, and they were forthwith severed from the relief rolls. * * * Accurate check has been kept also on the number of placements of persons with relief status. A review, at this time, of statistical compilations on the subject reveals that, of a total figure of 154,607 placements in jobs at prevailing wages, 14,059 were of persons qualified to receive, and receiving, relief in money, work or in kind. In 1 month alone, the number of persons with relief status placed amounted to 1,833. In the same time, the number of persons who refused to accept employment, and thus discontinued from the dole, amounted to 2,410."

The CHAIRMAN. There being nothing further, the committee is adjourned until 10 a. m. tomorrow morning.

(Thereupon, at 3:45 p. m., an adjournment was taken until 10 a. m., January 6, 1938.)

UNEMPLOYMENT AND RELIEF

THURSDAY, JANUARY 6, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met pursuant to call at 10 a. m. in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes, presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, and Hatch.

Also: Alan Johnstone, Esq., counsel for the committee.

Present also: Senator Royal S. Copeland, Senator Frederick Steiwer, Senator John G. Townsend, Jr., and Senator Arthur H. Vandenberg.

The CHAIRMAN. All right, gentlemen, are we ready?

STATEMENT OF WILLIAM KNUDSEN, PRESIDENT, GENERAL MOTORS CORPORATION

The CHAIRMAN. Mr. Knudsen, I assume that in a general way you are familiar with the resolution under which this committee is acting?

Mr. KNUDSEN. Yes; I am.

The CHAIRMAN. Have you a prepared statement that you desire to read to the committee? If so, I prefer that you do that at this time rather than later.

Mr. KNUDSEN. All right, sir; I have such a statement for General Motors.

The CHAIRMAN. You have a statement for General Motors?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. I would like to ask whether you desire to read that statement at this time or whether you prefer not to do it?

Mr. KNUDSEN. It is entirely up to the Senators' wishes.

The CHAIRMAN. I would prefer you to read the statement.

Mr. KNUDSEN. All right, sir.

General Motors Corporation is a manufacturing and selling organization, its main products being automobiles, trucks, parts and accessories, household appliances, and Diesel engines, installed or separate. It operates 93 plants in 47 cities in United States and Canada and operates, in addition, 22 manufacturing or assembly plants in foreign countries.

Its production of automobiles and trucks represents about 40 percent of the total in the United States; it employed in 1937 an average of 235,000 men—an all-time record. Its automobiles are

sold by 17,000 dealers in the United States, located in every city in every State.

It is the policy of the corporation to control its production through a record of the retail sales of its dealers, this record being tabulated after each 10-day period in each month. The object of the frequent checks on sales is to keep production in balance with sales and to prevent an excessive stock in the field, which throws employment out of balance. The attached chart shows how this policy has operated from 1929 to date.

The established custom of trading used cars in on the purchase of new cars has brought an additional responsibility on the corporation and its dealers. The present ratio of sales is about two used cars to one new car. This makes it necessary to watch the stock and sales of used cars as well as new cars, and the same reporting system as is used on new cars is applied to used cars in order that the dealer's capital should not be impaired to an extent which cramps his ability to do business. The corporation also receives voluntary financial statements from its dealers showing profits of the year's operation. The year 1937 will show that 91 percent of the dealers handling 93 percent of the volume, made a profit. Total profit for General Motors dealers in the United States for 1937 will be about $55,000,000 in addition to the amounts withdrawn by the owners as salaries.

The inventory of materials at the plants naturally varies with the demand for cars, but in 1937 reached an all-time high, being $290,000,000, or 65 million over the same time last year. This is due to an accumulation of parts and subassemblies on account of progressive sharp curtailment of production schedules and generally higher costs of material and labor.

Costs have increased sharply during 1937. Labor rates are 25 percent higher than in 1936, and material costs rose sharply during the first half of 1937. The over-all increase in car costs amounted to 13½ percent in 1937. General Motors elected to carry this burden without increasing prices, until the period of August to October 1937, when price increases of 8½ percent were put in force on all cars.

SHOP EFFICIENCY LOSS

Shop efficiency suffered in the first half of 1937, to a considerable extent through strikes and unauthorized stoppages, the actual man-hour loss being about 40 million. The loss in manufacturing efficiency has, however, shown considerable improvement since the new models were announced, and both quality and costs are at the present time up to expectation, and can be expected to remain in that position, since strikes have stopped and labor relations are much improved. Wage rates are at an all time high, and despite time lost in strikes, the average annual wage in 1937 was about $1,650 for the 80 percent of the men who worked full time.

Capital expenditures appropriated for 1937 amounted to $100,000,000, of which about 75 million has been spent and 25 million will be spent in 1938, plus the usual tool expenditures, amounting to an additional $20,000,000. The expansion was provided to take care of the shorter workweek agreed to with labor and in the expectation of business equal to 1937. No equipment has been transferred in 1937 from any location for the purpose of obtaining lower wage rates or better labor conditions, and the new plants that have been built will have to remain idle until business conditions improve.

GENERAL MOTORS EMPLOYMENT POLICY

The corporation's policy is to keep the maximum number of people working consistent with the demand for its product. Sharing of the work is practiced down as far as 24 hours per week, when demand is low, and 40 hours per week is the standard workweek when demand is normal. The corporation employs no child labor.

The present situation, necessitating a reduction in the working force, is about as follows: Sales in 1937 were excellent both on new and used cars, and despite the handicap of the strikes were at a point where it looked as if 1936 figures would be reached or bettered. Consequently, the factory schedules were set to equal the last quarter of 1936 and employment arranged accordingly on a 40-hour-week basis. October and November retail deliveries in the United States were 225,109 new General Motors cars against 199,630 in 1936, and 379,657 used cars against 357,124 in 1936 During the last 10-day period in November, however, a severe drop in sales of both new and used cars took place In fact, the total dropped to 70 percent of 1936. We still hoped that this would be the low point and expected to keep the men working, on shortened hours, but when the second period in December showed a drop of 45 percent of 1936, it became necessary to adjust the working force, which was done by retaining all the men we could take care of on a 24-hour basis, and laying off the balance. In order to avoid misunderstandings by the men and the public generally, a statement was issued by the corporation under date of December 28, setting forth the reason for the adjustment.

The drop in sales in so short a period is the most severe experienced in the history of General Motors. It was wholly unexpected and entirely beyond our control.

That is the statement.

The CHAIRMAN. Mr. Knudsen, in attempting to plan for production, what factors do you consider?

Mr KNUDSEN. Retail sales only.

The CHAIRMAN Only?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. You do not take into consideration national income or any other factors?

Mr. KNUDSEN. No, sir; because, according to the tables, the automobile sales naturally follow the national-income curve. When the national income goes up, automobile sales go up, and when the national income goes down, automobile sales go down. That is a natural consequence.

The CHAIRMAN. Do you have the figures for total automobile production in 1936?

Mr KNUDSEN. Yes, sir.

The CHAIRMAN. And then the total production of General Motors?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Would you give it to us?

Mr. KNUDSEN. Well, I know the figures. I do not have to consult any records to get them.

The CHAIRMAN. All right.

Mr. KNUDSEN. The total production in the United States and Canada, including export cars and also Canadian cars shipped abroad, would be right under 5,000,000 cars in 1937.

The CHAIRMAN. In 1937?
Mr. KNUDSEN. 1937.
The CHAIRMAN. How about 1936?
Mr. KNUDSEN. Senator, the production in the United States in 1936 was 4,454,000 cars.
The CHAIRMAN. And General Motors did what?
Mr. KNUDSEN. 1,800,008.
The CHAIRMAN. That is 1936, to January 1?
Mr. KNUDSEN. Yes, sir.
The CHAIRMAN. Now, in 1937, what was the figure?
Mr. KNUDSEN. 1,849,502.

GENERAL MOTORS PRODUCTION PLAN

The CHAIRMAN. In 1937, when did you arrange your plan of production? Did you arrange it in the beginning of the year or from time to time upon receipt of orders from retailers?
Mr. KNUDSEN. No, sir; we generally arrange that by the quarters. For instance, the new models come out in October, so with the advent of the new models, we set production for the last quarter of the year, and in accordance with the sales I have given you, the figures were correct up to the period of December when the sales fell too low to maintain them.
The CHAIRMAN. Then, in the early months of the year you had no fixed production for the entire year, but you had them for a quarter and would change them as the necessity arose?
Mr. KNUDSEN. Well, we have what we call an index. In other words, the administrative committee of General Motors, which operates the business, as against the policy committee, who sets the policies, the administrative committee set an index for the year 1937, and that is worked against by periods, as we get the retail sales in.
The CHAIRMAN. What was the index for 1937?
Mr. KNUDSEN. The index was 1,900,000.
The CHAIRMAN. Then, you planned at that time to increase 100,000 over the previous year?
Mr. KNUDSEN. We didn't know; we had to wait until the sales came in.
The CHAIRMAN. But that was the index figure against which you were working?
Mr. KNUDSEN. About that.
The CHAIRMAN. What did you actually produce in 1937, again?
Mr. KNUDSEN. As I said, 1,849,502.
The CHAIRMAN. Was that affected in any way by labor troubles?
Mr. KNUDSEN. Yes, sir; we had some stoppage. You know, we lost about 40 days in January and February, but that we made up by paying overtime to the men, as you will see from the earnings. We pretty well made it up. You see, we agreed to pay them time and a half over 40 hours, and we worked extra hours after the strike was over so as to make it up partly for us and partly for the men.
The CHAIRMAN. Then, when did you determine to build the new plants in Buffalo and New Jersey, I think it is?
Mr. KNUDSEN. We determined that about June.
The CHAIRMAN. 1937?
Mr. KNUDSEN. June of 1937. We felt, with the 40-hour week, you see, unless we were willing to pay overtime, which places a heavy cost

burden on the car, we felt we ought to try to get our plants in order so we could make 2,000,000 cars on a 40-hour-week basis.

The CHAIRMAN. Did you also have in mind the thought of decentralizing assembly?

Mr. KNUDSEN. No, sir; we did not; we only had the expansion feature of it in mind, and, as I told you in my statement, we have not moved a machine from one place to another in 1937.

The CHAIRMAN. Did you proceed with the construction of those plants from June of 1937?

Mr. KNUDSEN. Yes, sir; we are practically up. We are not through yet.

The CHAIRMAN. Then, as late as the summer, you were planning to continue production on the scale originally planned?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. And you say in December you had a decrease of what percent, as compared with December of 1936?

Mr. KNUDSEN. Fifty-five percent decrease. The sales were 45.6 percent of the 1936 total.

The CHAIRMAN. In your experience, what has been the largest decrease prior to that month?

Mr. KNUDSEN. Well, we have never had as sharp a decrease as that in so short a period, but during the year from 1931 to 1932, we experienced a drop in total production in the United States of 45 percent.

The CHAIRMAN. To what extent does your plan for installment buying influence production?

Mr. KNUDSEN. I beg your pardon?

INSTALLMENT BUYING PLAN AND SALES INFLUENCE

The CHAIRMAN. To what extent does the plan for installment buying influence sales?

Mr. KNUDSEN. I think installment buying helps sales.

The CHAIRMAN. When did you adopt the plan for the 24-month payments?

Mr. KNUDSEN. I don't recollect, but I think that became common in the summer and fall of 1936. I am not entirely sure of that.

The CHAIRMAN. What effect did it have upon sales?

Mr. KNUDSEN. They just kept right on going in the usual trend. There wasn't any improvement in trend.

The CHAIRMAN. There wasn't any increase in 1936 in the sale of cars?

Mr. KNUDSEN. There was an improvement over 1935, but you couldn't lay that to the 24-month contract, because that was only 12 percent of the total.

The CHAIRMAN. You don't think it seriously affected it?

Mr. KNUDSEN. I don't think so.

The CHAIRMAN. Why did you adopt it, then?

Mr. KNUDSEN. It was adopted by a lot of small finance companies in the United States, and, naturally, the bigger companies have to follow suit and it becomes a competitive matter.

The CHAIRMAN. It wasn't first adopted by your company?

Mr. KNUDSEN. No, sir; but our company was one of the first ones to see that it was dangerous to have 24-month contracts for new cars.

The CHAIRMAN. A man would buy a new car instead of a used car?

Mr. KNUDSEN. Yes, sir; under certain conditions it would be possible because naturally you can't take a risk on the used car for as long a period as you could on a new car, because the used car has been used before, and part of its mileage has been expended.

The CHAIRMAN. When did you change your plan?

Mr. KNUDSEN. In the early summer of 1937.

The CHAIRMAN. Was there any marked reduction in sales after you changed your plan?

Mr. KNUDSEN. Not particularly. Business was very good.

The CHAIRMAN. What month was the peak of sales in 1937?

Mr. KNUDSEN. This is General Motors, Senator, now?

The CHAIRMAN. Yes.

Mr. KNUDSEN. The peak of sales was April with 198,201 cars.

The CHAIRMAN. What month did you say?

Mr. KNUDSEN. April.

The CHAIRMAN. And in early summer you changed the installment——

Mr. KNUDSEN. It has not been wholly eliminated yet, but the terms have been tightened up to avoid extended long terms on credit.

The CHAIRMAN. What effect did that have on your used-car situation?

Mr. KNUDSEN. Used-car sales have been quite satisfactory. Used-car sales were highest in April also, with 263,355 cars sold. I beg your pardon, I looked at the stock figure. The highest used-car sales were in June, with 310,670.

The CHAIRMAN. Did you say June?

Mr. KNUDSEN. Yes, sir; June.

The CHAIRMAN. Then your change in installment buying went into effect about that time?

Mr. KNUDSEN. It is a thing you cannot issue by edict, you know. You have to gradually try to reduce the terms by meeting the customer's wishes as far as you can, because he is the guiding force, after all.

GENERAL MOTORS LAY-OFF IN DECEMBER 1937

The CHAIRMAN. When did you determine on this layoff of 30,000 men?

Mr. KNUDSEN. About the last week in December.

The CHAIRMAN. How did you arrive at that decision? Who finally determined it? Did you determine it, or did you submit it to a board?

Mr. KNUDSEN. I did. It was my recommendation.

The CHAIRMAN. You did?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. You gave consideration to the effect it would have upon industry generally, I suppose?

Mr. KNUDSEN. Naturally, I don't like to lay people off. We don't make any money laying people off. I felt that we could not carry them any more. You see, you have got to consider the number that you can carry with a reasonable number of hours. In other words, I could have left them on and given them 12 hours a week, but I don't think that's right.

The CHAIRMAN. Well, who will take care of them now if you don't give them that 12 hours a week?

Mr. KNUDSEN. Well, the communities will have so many people that are earning a week's wages, you see, whereas if nobody earns anything, you will have them all to take care of.

The CHAIRMAN. Well, if other industries laid them off in blocks of 30,000, it would further affect your sales, wouldn't it?

Mr. KNUDSEN. But you understand, it covers a very large area of the United States. The figure happens to be big because we have so many plants.

The CHAIRMAN. That is true. Could you give to the committee the States in which those lay-offs have occurred, the number in each State? Have you got those figures?

Mr. KNUDSEN. It is not completed yet.

The CHAIRMAN. You haven't got those with you?

Mr. KNUDSEN. No, sir; I haven't, but I can give you my own idea of it, about.

The CHAIRMAN. I wish you would.

Mr. KNUDSEN. I would rather have it looked up, and see a little later what the answer would be, if you please, because the lay-off hasn't even been completed yet.

The CHAIRMAN. In what State is the largest proportion, Michigan?

Mr. KNUDSEN. Michigan, Ohio, and Indiana.

The CHAIRMAN. Many laid off in Wisconsin?

Mr. KNUDSEN. Not very many, sir.

The CHAIRMAN. Do you known how many men you have employed in Wisconsin?

(Witness consults his records.)

The CHAIRMAN. Do you know in how many States where you have laid off men unemployment insurance is in operation?

Mr. KNUDSEN. No, sir; I do not.

The CHAIRMAN. You did not take into consideration in dismissing the men their ability to secure aid from the unemployment insurance?

Mr. KNUDSEN. I did not, no, sir, because I don't know exactly the date when that becomes operative. In Michigan it is in the middle of the year.

The CHAIRMAN. It became operative in 23 States on January the first.

Mr. KNUDSEN. I see.

The CHAIRMAN. You did'nt take that into consideration?

Mr. KNUDSEN. No, sir; I felt it was a temporary lay-off, anyway.

The CHAIRMAN. You think it is a temporary lay-of?

Mr. KNUDSEN. I hope it is.

The CHAIRMAN. Is it a hope or really your thought?

Mr. KNUDSEN. Well, ordinarily, in the spring of the year, the automobile business picks up.

GENERAL MOTORS DEALERS' STOCKS

The CHAIRMAN. How large a number of cars have you on hand today?

Mr. KNUDSEN. In the field?

The CHAIRMAN. Yes.

Mr. KNUDSEN. The dealers?

The CHAIRMAN. Yes.

Mr. KNUDSEN. About 200,000 cars.

The CHAIRMAN. How does that compare with your normal number in the hands of dealers at this time?

Mr. KNUDSEN. It is about 60,000.

The CHAIRMAN. If the condition is due to the abnormal increase in the number of cars, with the working off of those cars, you have more hope for immediate recovery, haven't you?

Mr. KNUDSEN. Oh, yes; the normal stock that the dealers require is 110,000. In other words, they have to have 110,000 in order to do business.

The CHAIRMAN. How many have you?

Mr. KNUDSEN. 200,000, and I would say that a good working stock would be 140,000. You must remember we have about 20,000 dealers.

The CHAIRMAN. Let me ask you, as to those dealers, has any advice or suggestion been made to those dealers as to whether the situation would indicate that it would be wise for them to make the reduction in employment?

Mr. KNUDSEN. No, sir. We have in General Motors what is called a dealer council. In other words, three times a year 48 dealers from all places in the United States come in to see us and we sit down and talk over the general situation, the quality of the car, the number of cars required, the profit situation, the used cars, and so forth. This council met in September of last year and again in December. At the first meeting the feeling was unanimous that business was going to be awfully good. At the second meeting it wasn't so good, so the dealers had about the same outlook on the business that we had, with the natural variance of the territories taken into consideration.

The CHAIRMAN. You haven't had a conference with them since December?

Mr. KNUDSEN. Since December; no.

The CHAIRMAN. What is your thought at this time as to the prospect for recovery in the automobile business?

USED-CAR MARKET

Mr. KNUDSEN. Well, Senator, we have the advantage of generally being the first one to come back, and the first one to drop off. I think that has been the history of the business, and naturally I have hopes that the business will pick up in the spring. The thing that hurts us more than anything else is, of course, the slacking-up of the sale of used cars, and that generally follows general employment.

The CHAIRMAN. The slacking-up of sales of used cars?

Mr. KNUDSEN. Used cars.

The CHAIRMAN. You say that follows——

Mr. KNUDSEN. That follows a general slacking-up of employment. You see, wage workers are our used-car customers.

The CHAIRMAN. What is your latest report as to the sale of used cars?

Mr. KNUDSEN. Seventy percent.

The CHAIRMAN. For what period, what week?

Mr. KNUDSEN. This last week.

The CHAIRMAN. Seventy percent of what?

Mr. KNUDSEN. Of 1936.

The CHAIRMAN. What was it the prior week?

Mr. KNUDSEN. My period is a 10-day period. You don't mind that.

The CHAIRMAN. All right.

Mr. KNUDSEN. The first period of December was 79.7; the second period was 76.1; and the third, 73.8. That makes an average for the month of 76.2. For the month of November we were 107.5 over last year, and for the month of October, 105.3.

In other words, the drop in used-car sales is 23.8 percent, whereas the drop in new-car sales, as I explained, is 55.

The CHAIRMAN. You increased the price of your models in November 1936?

Mr. KNUDSEN. We increased in August to October, August to October 1937.

The CHAIRMAN. In 1937?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Did you make any increase in 1936?

Mr. KNUDSEN. I don't think so. I will get my book out, though.

The CHAIRMAN. There was none, as you remember?

Mr. KNUDSEN. No, sir.

The CHAIRMAN. I imagine you would know.

Mr. KNUDSEN. The time goes so fast, you can't remember so well.

The CHAIRMAN. But your sales continued to increase in early 1937?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. When did your increase in prices go into effect?

Mr. KNUDSEN. With the new models, August to October.

The CHAIRMAN. That was 1937?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. But the last increase was in October?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Then your sales fell off in December?

Mr. KNUDSEN. That's right.

The CHAIRMAN. You say that the increase in price does not affect the reduction in sales?

Mr. KNUDSEN. Well, we had no evidence of it.

The CHAIRMAN. You had evidence of reduced sales, didn't you?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Did it give you a suspicion that that might have contributed to it?

Mr. KNUDSEN. No, sir it did not; it didn't, for this reason, that if the used-car sales back up, the reduction in new-car prices isn't going to make them start up, and you have to get rid of one before you can start the other.

The CHAIRMAN. You have to get rid of the used cars?

Mr. KNUDSEN. Yes, sir. In other words, the market is tied so closely together today that we aren't really selling new motor cars; we are selling new and used motor cars to the public.

The CHAIRMAN. You are selling both, but within 2 months after you increased the price there was this decrease of 50 percent in one month.

Mr. KNUDSEN. Yes; of course, but we weren't the only one that had the decrease.

The CHAIRMAN. What other company has dismissed a large number of men?

Mr. KNUDSEN. I don't know anything about other companies. They have all laid them off.

The CHAIRMAN. There was a story in the press that Hudson is increasing the number of their men, about doubling its force.

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Putting a cheaper car on the market.

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. They evidently do not agree with the theory that they cannot be sold at this time.

Mr. KNUDSEN. We all differ, Senator.

The CHAIRMAN. You believe that you could not sell them, and your sales after the increase, indicated that you could not. Did you consider reducing the price in order to increase your sales?

Mr. KNUDSEN. We always have to do that, Senator, but we have not stepped up to it yet. We do not feel that prices enter into it today, with the terms as they are.

The CHAIRMAN. With what?

Mr. KNUDSEN. With the terms that go with the sales, the way they are.

The CHAIRMAN. With the terms?

Mr. KNUDSEN. Yes, sir. Supposing we reduce the car by $50 and there was 18 months' time on the unpaid balance: That would be $3, $2. That isn't what is stopping a man from buying a car.

The CHAIRMAN. You think the thing that sells it, then, is not the price but the terms on which the man can buy?

Mr. KNUDSEN. No; I say that is not the reason for the slacking-up of sales. I do not believe that is it. Of course, I have to make that a personal observation. I can't speak factually, but I don't believe that is it.

Senator LODGE. What is the reason?

Mr. KNUDSEN. I think the reason is that the average man feels that work is going to be slack and he won't commit himself even if he happened to need a car at the moment; he would rather run the old car for a while. That always happens when there is some slacking up in business.

The CHAIRMAN. But would you say in September you had no intimation at that time, up to the 1st of December, of any slacking-up in work?

Mr. KNUDSEN. No, sir.

The CHAIRMAN. You think the average man did have it, that he was better advised about it, and he stopped buying?

Mr. KNUDSEN. He probably knew his own personal situation. I cannot account for that.

The CHAIRMAN. You were not aware of that general feeling?

Mr. KNUDSEN. No, sir.

The CHAIRMAN. Did you reach the conclusion that it was better to curtail at this time rather than to attempt to work off this inventory by reducing prices?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. And you are still of that opinion?

Mr. KNUDSEN. Yes, sir.

INCREASED COSTS OF LABOR AND MATERIALS

The CHAIRMAN. What percentage of your cost is represented by pay roll, by materials, cost of materials and pay roll?

Mr. KNUDSEN. You mean to split it up?

The CHAIRMAN. Yes. What percentage of the cost of production? Well, just take labor, first.

Mr. KNUDSEN. You know, Senator, it is all labor, when you come right down to it. It is only a question of what we make and what somebody else is making.

The CHAIRMAN. In your statement you referred to the increase in labor costs. I want to know that increase, and then the increase in cost of materials to which you refer.

Mr. KNUDSEN. Yes, the increase in labor from 1936 to 1937 was about 25 percent, but the over-all increase of labor and material combined was 13½ percent.

The CHAIRMAN. Labor and material combined?

Mr. KNUDSEN. Yes.

GENERAL MOTORS TAX BILL

The CHAIRMAN. Was there any increase in taxes?

Mr. KNUDSEN. Well, our taxes this year are going to be $73,000,000.

The CHAIRMAN. I asked whether there would be an increase, compared to the previous year.

Mr. KNUDSEN. Taxes went up $5,000,000 [1] sir, mostly due to social security.

The CHAIRMAN. But you say the total increase over all was 13 percent.

Mr. KNUDSEN. Thirteen and one-half percent; yes, sir.

The CHAIRMAN. Notwithstanding that, how about the earnings of General Motors for 1937?

Mr. KNUDSEN. The earnings of General Motors will be down from—can I give it to you per share of stock?

The CHAIRMAN. I would like to know, compared to 1936, the total, or per share.

Mr. KNUDSEN. Per share went from 5.35 to 4.48.

The CHAIRMAN. There has been no change in the capital structure?

Mr. KNUDSEN. No, sir.

The CHAIRMAN. What is the surplus of General Motors?

Mr. KNUDSEN. If you will pardon me a minute, I will look it up. I have the details of the taxes here, if you want them.

The CHAIRMAN. Yes.

Mr. KNUDSEN. The income and excess-profits tax, $41,700,000; undistributed-profits tax, $6,500,000; capital-stock tax, $53,350,000; social security tax, $5,540,000; excise tax, $33,700,000.

I am going to deduct that a minute, because it is charged to the customer.

Unemployment insurance in the State, $8,400,000; and other (property and so forth) tax, $10,750,000; making a total of $109,840,000; and then I deduct the excise tax, which we only collect for the Government, the customer paying it, which leaves $76,140,000 tax bill for 1937.

The CHAIRMAN. First, before you go on with that, how does that total tax compare with 1936?

Mr. KNUDSEN. $5,000,000 [1] out, between $5,000,000 and $6,000,000, practically all social security.

[1] Corroborative statement received from Mr. Knudsen's office would indicate that the above figure was a typographical error in the material from which the testimony was given. The figure should read "$15,000,000."

GENERAL MOTORS SURPLUS

The CHAIRMAN. What is the total surplus?

Mr. KNUDSEN. Surplus for 11 months, after 11 months' operation, was $452,547,000.

The CHAIRMAN. That is the surplus?

Mr. KNUDSEN. Surplus of the corporation.

The CHAIRMAN. How did that compare with other years?

Mr. KNUDSEN. Well, the increase of surplus this year over last is $54,000,000.

The CHAIRMAN. Was any consideration given to the fact that some part of that increase in surplus might be used instead of dismissing these men?

Mr. KNUDSEN. Well, whichever part of the capital you use, Senator, it might be either capital or surplus, we don't like to allocate it one way or the other.

The CHAIRMAN. We have heard a lot about permitting corporations to retain surplus for rainy days, and I just wanted to know if, when it rains, consideration is given to using some of this surplus to prevent men being placed upon, in many cases, relief, at the expense of their neighbors.

Mr. KNUDSEN. Senator, if men are to be laid off or retained, it never enters into my head where the money is going to come from. It is my duty to keep the men on as long as I can, and who is going to pay the bill matters very little to me.

The CHAIRMAN. Then why, if you had increased surplus, instead of building up the surplus by $50,000,000, that these men might be kept, even if their hours were curtailed.

Mr. KNUDSEN. But that could be reduced very fast. If you or anyone expected us to carry men away in excess over the amount of men needed to produce the work needed——

The CHAIRMAN. Have you ever done that, or, just as soon as you determine sales are not increasing, do you dismiss them, or do you at times, in the interest of labor, keep them on and endeavor to spread the work?

Mr. KNUDSEN. I think my record has been that I always try to keep the men on.

The CHAIRMAN. Then you do give consideration to the fact that if you have the surplus available, you do try to give men a living?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. But you didn't at this time think that the surplus of $50,000,000 warranted you to keep these men on?

Mr. KNUDSEN. If you have a pay roll of $400,000,000 a year, $50,000,000 a year is small change.

The CHAIRMAN. That would not be small change to you, would it?

Mr. KNUDSEN. That wouldn't last very long.

The CHAIRMAN. Well, the surplus of $450,000,000——

Mr. KNUDSEN. That is not in cash.

The CHAIRMAN. What is your cash surplus?

Mr. KNUDSEN. Would you like to know how much cash we have got?

The CHAIRMAN. Yes.

Mr. KNUDSEN. Senator, our cash and Government securities was $211,000,000.

The CHAIRMAN. What did you say the total pay roll was?

Mr. KNUDSEN. About $400,000,000 a year.

The CHAIRMAN. Let's see. The surplus, with cash and Government securities, you could still run 6 months at full time, if you wanted to, couldn't you?

Mr. KNUDSEN. I would rather write an answer to that down, when I got a chance to think it over, Senator, because there is a matter of doling cash out, that is easy——

The CHAIRMAN. You spoke of your labor cost. Do you mean that that increase is a percentage increase in the wage rate, or are you speaking of the efficiency of labor?

Mr. KNUDSEN. No; it is the cost per unit.

The CHAIRMAN. How about the efficiency of labor, as compared with previous years?

Mr. KNUDSEN. Well, we had a little trouble in the beginning of the year, but I guess it is coming around all right.

The CHAIRMAN. Well, I mean as to its efficiency.

Mr. KNUDSEN. It was down, all right.

The CHAIRMAN. Since you resumed production?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. How do you arrive at that? By percentage?

Mr. KNUDSEN. We arrive at it by cost per unit, cost per car.

The CHAIRMAN. What is the difference in efficiency there, since your labor difficulties last spring?

Mr. KNUDSEN. Well, I have got to divide that into two parts, because it was very bad for 6 months, and now not so bad; in fact, it is pretty near normal.

The CHAIRMAN. You say it is about normal now?

Mr. KNUDSEN. About normal.

The CHAIRMAN. What action, in your opinion, can be taken by the Government, if any, to stabilize employment in your or any other industry? Is there any suggestion that you could make?

Mr. KNUDSEN. No, Senator, I haven't any suggestion in that respect. I have only one hope, and that is that people will generally feel a little more confident in the future than they do now.

The CHAIRMAN. What was that?

Mr. KNUDSEN. That people will feel a little more confident of the future than they do now. I think it is wholly a complex, but they need a little assurance, I think, all the way down the line, in order to make them feel that next year is going to be a normal year, and the year after, and so forth.

In talking to the dealers that were around, they cannot account for it. They are in contact with a good many people, and they say it is very astonishing that everybody seems to be afraid of something out there. They don't just know what it is, and I think it is up to all of us to say we still believe in the country. I think that is the only answer to it.

The CHAIRMAN. What do you say? What is your own opinion? Are there any factors in the situation at all that would lead you to believe that this is anything but a temporary recession.

Mr. KNUDSEN. No, sir. I said so from the very beginning.

The CHAIRMAN. You said you did not believe——

Mr. KNUDSEN. That's right.

The CHAIRMAN. You look for recovery in the automobile business?
Mr. KNUDSEN. Yes, sir.
The CHAIRMAN. Making your plans accordingly?
Mr. KNUDSEN. Yes, sir.

GENERAL MOTORS PLANT DISTRIBUTION

The CHAIRMAN. Are you going ahead to equip those two plants?
Mr. KNUDSEN. It isn't two; it is five.
The CHAIRMAN. Where are they? In Buffalo and Jersey? Where are the others?
Mr. KNUDSEN. We have two in New Jersey.
The CHAIRMAN. Two in New Jersey?
Mr. KNUDSEN. Yes, sir; and we have one in Dayton, and we have one in Buffalo, and we still have another one in Rochester.
The CHAIRMAN. What effect do you think, Mr. Knudsen, your laying off of 30,000 men would have upon the confidence of people, particularly small businessmen, throughout the country?
Mr. KNUDSEN. Naturally, in the location where most of the men are laid off, it isn't a very nice thing to do.
The CHAIRMAN. Outside of that, you were referring to the opinion of the dealers that the present situation was due to a lack of confidence. When General Motors, possibly the largest of the industry, lays off 30,000 men at one blow, what effect would that have upon you if you were a small businessman about the country, as to your confidence?
Mr. KNUDSEN. I think you would have to look at it in this light: Constant employment cannot be assured unless there is work to do. Now, the only thing you can ask me is whether I should keep the 30,000 men on and give them all less. See?
Now, that is a question of opinion from the standpoint of economics between us two, if you please. It is not a question of fact, as far as the men are concerned. In other words, would you rather have so many people getting a decent week's wage and so many people off, or everybody be short?
The CHAIRMAN. Well, of course, you will agree to the extent that you merely curtail, and those employees of yours receive something per week—to that extent there would be less demand upon the public for relief.
Mr. KNUDSEN. That's right.
The CHAIRMAN. Therefore the public is normally interested in the policy that you pursue.
Mr. KNUDSEN. Now, let me tell you this, if I may: The average earnings would be $22 a week for a 24-hour week. Now, here is some other figure—these are Labor Statistics' figures from August, the last ones we have. All manufacturing industries got $26 for 38 hours in August.
The CHAIRMAN. All got it; the average of all, you mean, was how much?
Mr. KNUDSEN. $25.89 for 38 hours.
The CHAIRMAN. You will get what?
Mr. KNUDSEN. General Motors will get $22 for 24 hours.
The CHAIRMAN. Twenty-four hours?
Mr. KNUDSEN. Yes. Now, another thing is, the men ought to have something to say about that; you know, the men that are in the plant.

The CHAIRMAN. Did you permit them to have something to say about discharging 30,000 men?

SENIORITY CLAUSE IN THE LABOR CONTRACT

Mr. KNUDSEN. I can't say that I did; no. I didn't do that, but if I gave them all short time, the seniority clause would mean nothing—this annuity clause in the labor contract. It's for the purpose of protecting the men with long service.

The CHAIRMAN. What do you mean? The seniority clause in your labor contract? Seniority, do you mean?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. That would affect the decision, then?

Mr. KNUDSEN. It would; yes.

The CHAIRMAN. And those who came in more recently would be——

Mr. KNUDSEN. Would be the first ones to be laid off.

The CHAIRMAN. Would be the first ones to go out?

Mr. KNUDSEN. Yes. In fact, the agreement stipulates that.

The CHAIRMAN. Would you have followed the same policy before you made that agreement?

Mr. KNUDSEN. Yes; in this way: The seniority—there was always seniority in the automobile business—that is, the older men being kept on, men with dependents—but the merit standing of the man would have entered into it to a considerable degree.

The CHAIRMAN. Have you curtailed hours in any of your plants?

Mr. KNUDSEN. All of them.

The CHAIRMAN. I mean, as of January 1.

Mr. KNUDSEN. All the automobile and parts; yes.

The CHAIRMAN. Let me ask you, too: What proportion of your expenditures is invested in the other plants, in parts and accessories?

Mr. KNUDSEN (consulting his assistant). I will see.

The CHAIRMAN. I will ask you, too: What holdings has General Motors got in other corporations supplying them with accessories and materials, own stock in other companies?

Mr. KNUDSEN. Yes; we own some stock in Bendix Corporation.

The CHAIRMAN. In what?

Mr. KNUDSEN. Bendix Corporation.

The CHAIRMAN. Any others?

Mr. KNUDSEN. No. We own a minority interest in the North American Aviation Co., but you asked me specifically on automobiles.

The CHAIRMAN. No; I want particularly to know about the corporations from whom you purchase materials entering into the production of automobiles.

Mr. KNUDSEN. I think Bendix is the only one, the only automobile-parts company which we have an interest in. Bendix is the only one, sir.

GENERAL MOTORS STOCK

The CHAIRMAN. How widely is General Motors stock held?

Mr. KNUDSEN. We have 375,000 stockholders, I think, an all-time high, for some reason or other.

The CHAIRMAN. Who is the largest stockholder?

Mr. KNUDSEN. Mr. Sloan is the largest individual stockholder, I think. I don't know what his holdings are.

The CHAIRMAN. Do you know what percentage of the stock?

Mr. KNUDSEN. No; I am sorry, I don't. If I had thought of it, I could have asked him.

Senator MURRAY. Mr. Knudsen, to what extent is the used-car problem interfering with sales? Isn't that one of the serious conditions?

Mr. KNUDSEN. It is certainly a factor.

Senator MURRAY. What, if any, plans have you under consideration to take care of that situation?

Mr. KNUDSEN. Well, the only way you can handle used cars and do it effectively is to be sure that the dealers who handle them get them in good shape and get them priced right, and get them advertised right. That is really the only formula for used-car sales that I know.

PLAN TO DISPOSE OF USED CARS

Senator MURRAY. Shouldn't there be some plan or method devised that would remove a large portion of the used cars that are being sold in the country, because of their danger to people in traffic? Aren't there a great many very cheap cars?

Mr. KNUDSEN. We have had such a plan in General Motors in the past, what we called a junker's plan.

Senator MURRAY. Wouldn't that be necessary eventually?

Mr. KNUDSEN. I think, if you want to remove those cars, it would have to be done through legislation, if it is to be done right.

Senator MURRAY. There have been some proposals to submit the matter to Congress, haven't there, for proposed legislation?

Mr. KNUDSEN. If there has not, there ought to be.

Senator MURRAY. Is it being proposed now by the manufacturers?

Mr. KNUDSEN. Yes; we are cooperating.

Senator MURRAY. How would it be handled by legislation?

Mr. KNUDSEN. Through inspection.

Senator MURRAY. And would there be any plan to remove the cars by buying them and junking them, for instance, to have the manufacturer contribute a part, the dealer a part, and the Government a part?

Mr. KNUDSEN. Who, in the end, would pay?

Senator MURRAY. Well, it would come out of the cost of the car, would it not?

Mr. KNUDSEN. The public would pay. So you are selling scrap iron to the public at whatever premium you want to put on the purchase.

Senator MURRAY. But wouldn't it aid, though, in bringing about better conditions?

Mr. KNUDSEN. I would love to see it, but I don't think it could be worked, because a motorcar is an individual proposition. Now, a man's motorcar is his own, and you cannot take it away from him without a fight.

Senator MURRAY. Well, isn't it true that a great percentage of the accidents that occur in the country are due to the fact that dilapidated cars are permitted to run on the highways?

Mr. KNUDSEN. I think that is so, but I think the driver has a lot to do with it, too.

Senator MURRAY. But, as a general rule, it is discovered after an accident has occurred.

Mr. KNUDSEN. It is awfully hard to prove.

Senator MURRAY. That an old car is involved in the accident? Don't you think there should be some method provided that would remove those old cars from the highways of the country?

Mr. KNUDSEN. Yes; but it seems to me you can only approach that from a standpoint of safety, not from the standpoint of economics.

Senator MURRAY. It is a source of great worry to your dealers, is it not?

Mr. KNUDSEN. Naturally so.

Senator MURRAY. Aren't several of them going broke right now as a result of being loaded up with used cars they cannot dispose of?

Mr. KNUDSEN. You heard what my figures were, that in General Motors 91 percent of the dealers, handling 93 percent of the volume, made a profit, so there can't be many of them going broke. So you can't blame it all on the used cars. We would have to investigate that before you could substantiate a thing of that sort.

Senator MURRAY. I don't know about your figures, but I know some dealers who claim they are in a serious condition because of trading in too many used cars.

Mr. KNUDSEN. I think the lack of sales has more to do with that as well as ability to trade; when the sales drop at a ratio of 2 to 1, the dealers are naturally going to feel more concerned about that.

Senator MURRAY. You think, then, the only way that situation can be handled is through legislation?

Mr. KNUDSEN. Yes; that is legal and that is right. If you try any economics in the thing I am afraid you will go wrong; and, after all, you put a premium on something the public will have to pay for in the end, to the list price, and I am more interested in getting the list price down than getting it up.

MANAGED PRODUCTION

The CHAIRMAN. Mr. Knudsen, have you considered, at any time, taking into consideration the effect of overproduction, of managing production so as to provide a smooth market, a regular market, instead of producing without regard to general economic conditions and building up inventories, with consequent unemployment? What I mean is—Well, I will put it another way:

The press states that the President, at a press conference, discussed the question as to the advisability of those engaged in the production of automobiles conferring with officials of Government to ascertain national income and other information so as to plan for their future production. Do you give any consideration to those factors, or are you guided solely by the orders from dealers in determining production?

Mr. KNUDSEN. Well, we have been at this for a good many years, you know, and this is the way it is worked [handing the chairman a chart].

Now, as I gather from your question, if you want to level out these curves, you have to start out with the number of cars you are going to sell. In other words, you are limiting the sale, you are not limiting the production. That is what you have to start with.

The CHAIRMAN. This represents cost of production, domestic figures, and average employment.

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. And it has fluctuated greatly through the period 1929 to 1937?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. And, of course, if I read the chart right, employment has fluctuated as high as 230,000, approximately, in 1937, and as low as 110,000 or 115,000 in 1932.

Mr. KNUDSEN. That's right.

NATIONAL INCOME YARDSTICK IN INDUSTRIAL PLANNING

The CHAIRMAN. Because of that fluctuation and the effect upon the public generally, as well as upon the wage earners, what would be the effect of the producers of automobiles attempting to get the best possible information from Government officials as to the prospective national income instead of relying solely upon the orders to dealers?

Mr. KNUDSEN. Well, of course, you have to start with something, and I think the national income is the one you have to start with, and after that you have to determine how many cars you are going to sell, not how many cars you are going to make.

The CHAIRMAN. You would have to determine how many you were going to sell?

Mr. KNUDSEN. Yes; not how many you were going to make.

The CHAIRMAN. One would affect the other; if you determined how many you were going to sell, then you would know how many you were going to manufacture?

Mr. KNUDSEN. That is the next step. First the income, sale, then the manufacture.

The CHAIRMAN. It would give you something more than merely orders from dealers, though, wouldn't it? Wouldn't the experience, your own experience in December, throw some light upon that?

Mr. KNUDSEN. No.

The CHAIRMAN. Your orders from dealers were high in October and November?

Mr. KNUDSEN. Yes.

The CHAIRMAN. They dropped 50 percent in December?

Mr. KNUDSEN. That's right.

The CHAIRMAN. You don't think that by any effort to ascertain from any official of Government their best views as to national income during the next few months, that it would have affected in any way the sales?

Mr. KUNDSEN. Senator, I don't think anybody in God's world could have told me that the outlook was going to drop 50 percent in 2 weeks or 3 weeks. I don't think there are any records or any judgments like that.

The CHAIRMAN. I don't think you anticipated anything like that because I don't think your success in life would have caused you to anticipate that.

Mr. KNUDSEN. Do you think there are any trend figures, Senator, that would indicate a drop of that sort? I haven't seen any, and we study them carefully. I certainly did not expect it.

The CHAIRMAN. You study it carefully?

Mr. KNUDSEN. Yes; statistics we get from various sources, but there was nothing to indicate that.

The CHAIRMAN. Let me go back to——

GENERAL MOTORS INVESTMENTS

Mr. KNUDSEN. I beg your pardon, but you asked me how much General Motors had invested in other industries, and I would like to say we have in the household group, meaning the Frigidaire Corporation, and so-called Delco Heat, which makes heating installations for houses, we had $39,055,000 invested.

The CHAIRMAN. What has been the effect upon those other industries?

Mr. KNUDSEN. This one here has been hit, and in a minute I will give you a report on that, but the other one is the general-engine group, meaning the Diesel-engine development, in which we have $20,100,000 invested. That, so far, is quite busy, because it is a new business, you know, and there is quite a demand for that kind of engines, either installed or separate.

The dollar volume of Frigidaire for the year 1936 was $79,000,000. The 1938 business is expected to be from 70 to 80 percent of that. The number of units made by the Frigidaire Corporation is 540,000, and they expect—on the basis of today's trend they have an expectancy of 385,000.

The hourly employees employed by Frigidaire are 9,400. They are still working.

The CHAIRMAN. Have you put into the record in your general statement the actual number of persons who have been separated from the pay roll during the last few months.

Mr. KNUDSEN. No, sir.

The CHAIRMAN. If not, I want you to put the number, from, say, Labor Day to January the first, inclusive, the number actually separated.

Mr. KNUDSEN. I am sorry, but I will have to wait three days before I can get the January first figure, but I will be glad to submit it just the way you want it.

The CHAIRMAN. That is fine.

Mr. KNUDSEN. That is, from Labor Day until the layoff is completed.

The CHAIRMAN. That's right.

RELIEF AND CORPORATION LAY-OFFS

Now, what effect, if any, do you think the payment of the—furnishing of relief assistance in the States, and the furnishing of jobs through the Works Progress Administration have had upon the executives of corporations in determining upon the dismissal of employees?

Mr. KNUDSEN. We never pay any attention to that. We look upon that as an expense.

The CHAIRMAN. You look upon relief as an expense?

Mr. KNUDSEN. As an expense that will eventually come back to us.

The CHAIRMAN. That if the men you now separate from the pay roll go upon relief, that would come back to you in some measure?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. That being true, that it is going to come back to you anyway, don't you think that a very important factor to consider is whether you will use a part of that surplus to continue them, and you have the benefit of their work, instead of Works Progress Administration projects having the benefit of their work?

Mr. KNUDSEN. It is all dependent upon whether the production can be sold. That ought to be gone into. If your workers are to produce something that can be sold, that is another thing.

The CHAIRMAN. There isn't any question in your mind that you will have to pay out part of the expense either to the unemployment insurance in those States where there are insurance benefits, and relief in others.

Mr. KNUDSEN. There isn't any question in my mind that whatever the Government says I have to pay I am going to pay.

The CHAIRMAN. But if you separate them from the pay roll you give to all the rest of us the pleasure of contributing to the unemployment, whereas, if you kept them in your employ on curtailed hours, it would affect only the stockholders of General Motors, wouldn't it?

In other words, if you kept them on and used part of that surplus to employ them, you would be reducing that surplus which has increased $50,000,000, but, if they are put on relief, all the people will be paying their salaries by taxation.

CORPORATION SURPLUS AND LAY-OFFS

Mr. KNUDSEN. If this keeps on, that surplus will be disappearing so fast that $50,000,000 surplus wouldn't mean a thing.

The CHAIRMAN. That is only a $50,000,000 increase; it is $450,000,000, isn't it?

Mr. KNUDSEN. But that will disappear very fast.

The CHAIRMAN. It would cover your entire pay roll for a year, wouldn't it?

Mr. KNUDSEN. It isn't entirely in cash.

The CHAIRMAN. Your statement is that the thing that is contributing most today to the condition, the economic condition, is the lack of confidence, according to the information from your dealers.

Now, I ask you, could there be anything that would do more to restore confidence than to have General Motors reemploy these 30,000 men that they have dismissed?

Mr. KNUDSEN. I imagine that would have a very fine effect, but what are we going to give them to do?

The CHAIRMAN. So far as you are concerned, you would have no way of giving them employment, even for reduced hours?

Mr. KNUDSEN. To reduce the hours below 24, you mean?

The CHAIRMAN. Yes.

Mr. KNUDSEN. For everybody?

The CHAIRMAN. Yes.

Mr. KNUDSEN. That is what we would have to do.

The CHAIRMAN. For everybody, in spreading that employment.

Mr. KNUDSEN. I don't think that that would work. We tried that, under President Hoover. We tried sharing the work; down to 1 day a week, and the more we spread it the worse it got.

The CHAIRMAN. Do you anticipate the same condition now as existed then?

Mr. KNUDSEN. No, sir.

The CHAIRMAN. Then it is not a parallel situation, according to you? You do not think it is the same condition?

Mr. KNUDSEN. No, but I think a temporary layoff is going to put 80 percent of the people in fair shape and 20 percent of the people in bad shape, but it is only a temporary thing. That is the best thing to do.

The CHAIRMAN. But your argument is that it is due to lack of confidence, and you will admit that nothing could do more to restore confidence than your reemployment of these men?

Mr. KNUDSEN. I couldn't admit that. I don't know that I could admit that, but I have to admit that your argument is fair.

The CHAIRMAN. Now, if Chrysler had discharged 30,000 men, it would certainly affect confidence, wouldn't it?

Mr. KNUDSEN. But they are not discharged.

The CHAIRMAN. Separated from the pay roll, then.

Senator CLARK. It has the same effect on the men as being laid off, doesn't it, the same effect on the income?

Mr. KNUDSEN. Well, that is true, but if I had announced that they were discharged, it would have been very bad. They believe they are coming back.

Senator HATCH. I believe you overlook Senator Byrnes' point, that if you reemploy these 30,000 men and thereby engender a greater feeling of confidence, other industries would do likewise, business would, in itself, pick up, just as you say the lack of confidence causes it to go down, and there would be work for those men to do. That is the thought the Senator is developing, I think.

LAY-OFFS AND FEAR PSYCHOLOGY

Mr. KNUDSEN. There is no question but what, if you lay off a large number of men, the effect is bad, and if you put them back to work, the effect is good, but, after all, we have certainly got to think about what we are here for. We are here to keep people working steadily as long as we can, you see, but to ask us to carry them, regardless of what the output is, that is not business.

Senator HATCH. I am not asking you to carry them regardless of the output. I am taking your own statement that this decrease of output is caused by a fear psychology spreading throughout the country. If you can eliminate that fear psychology that would contribute largely to dispelling fear, wouldn't it?

Mr. KNUDSEN. Do you think taking them back for a few weeks would do that?

The CHAIRMAN. Can you think of anything else that would dispell fear at this time?

Mr. KNUDSEN. I am not answering any such question. I am not competent to answer a question like that.

The CHAIRMAN. Can you think of anything else that would dispel fear more than the statement in the press tomorrow morning that General Motors was putting 30,000 people back to work, even if temporarily?

Mr. KNUDSEN. I cannot imagine that.

Senator CLARK. How long after you first noticed that your sales were falling off did you begin to take men off the pay roll? How much lag was there between the time you first noticed the decrease in sales and the time you began to lay off men?

Mr. KNUDSEN. Are you talking about running—you see, we carried the men all through December. They were working up to Christmas.

The CHAIRMAN. All the men.

Senator CLARK. And you laid off 30,000 at one time?

Mr. KNUDSEN. No, it has been a running thing.

Senator CLARK. How soon after you first discovered a decrease in your sales did you begin to lay off men? In other words, how long did you rely on the surplus before you actually began to lay off men?

Mr. KNUDSEN. Suppose I quote you the total number of men working; then you can study that out for yourself.

Senator CLARK. All right.

Mr. KNUDSEN. We started in Labor Day, as the Senator spoke about, we had 174,000 men. We increased this for 5 weeks, up to the end of October, or the first week in November, when we had 221,000 men. That was about where it ought to be, you see. From then on we carried, down to the week of December 4, 216,000 men, and from December 4 to Christmas we reduced 22,000 men, and the balance will be laid off, now, since Christmas, and will probably have been handled by this time, you see. We cannot handle a lay-off in so many places right on the same day.

Senator CLARK. What I was getting at was this: Your position is, as I understand it, that this condition is largely a psychological condition, that it was caused by some undefinable fear developing of which you do not know the explanation.

Now, such a condition as that, naturally, feeds on itself, does it not? That is, when one man becomes frightened he is afraid to buy the product of the other man.

Can you imagine anything more calculated to enhance that condition than for General Motors Corporation, one of the largest in the country, to lay off precipitately 30,000 men?

Mr. KNUDSEN. I think you overlook entirely the fact that there are 220,000 left.

Senator CLARK. That's all right, but what I am getting at is the development of this psychological condition that you are talking about. Take the case of a little fellow who is thinking about buying a little automobile, let us say, he is beginning to have this fear that conditions aren't going to be so good, and he reads that General Motors Corporation, with a $450,000,000 surplus, has laid off 30,000 men. Don't you think he is very likely to say, "There is going to be a rainy spell sure enough, and I will just drive my old car for a year;" and when you lay off 30,000 men doesn't that have exactly the same effect, with your tremendous surplus, doesn't it have the effect on other corporations of causing them to lay off men, and formation of their policy, and thereby diminish the demand for your own automobile output?

Mr. KNUDSEN. In the first place, we did not lay men off to get business bad. Business got bad before we laid the men off, but there is only one thing we can judge by when we say business is bad or business is good, and that is whether we sell motor cars or do not sell motor cars. Our personal opinion regarding the causes or remedies

for it will have to be left out of the picture until we get the selling facts established. That determines how many men we can employ. You might tell me if I put fifty thousand back, business will be twice as good as it was. That isn't a fair way to reason.

Senator CLARK. Certainly nothing can have a worse effect upon the public than to know the General Motors Corporation had such little confidence in the future that they laid off 30,000 men.

Mr. KNUDSEN. But we can only run our business on the basis of business done; we cannot run our business on the basis of psychology or our own opinion of what is going to be good or what is going to be bad. We kept the men as long as we could because we thought business was going to turn. Now, it has not turned, and we must take care of our business the best way we know how. The charts we showed the Senator showed we have done that all these years, and we have done it right.

The CHAIRMAN. Mr. Knudsen, I addressed a communication, not only to the editors of daily newspapers, but to business leaders throughout the country, asking for suggestions with reference to this inquiry. With remarkable unanimity, they stated that one thing affecting us was fear because of the tax upon surplus. Now, it is certainly true that insofar as General Motors is concerned, the tax on corporate surplus does not affect your corporation from increasing its surplus. The other statement made was that it was essential to have that surplus in order to provide for a rainy day, in order to enable the corporation to keep employees when the rainy day came. Now, it is true that the rainy day, having come, it does not affect the ability of General Motors to keep employees on pay rolls.

Mr. KNUDSEN. Of course, it all depends on how you look at it. Say we have a business of $150,000,000 a month, that is about what we do, about $1,800,000,000 a year. How much cash do you think a business like that requires?

The CHAIRMAN. I would say this, did you require $50,000,000 more in 1937 than you did in 1936?

Mr. KNUDSEN. No.

The CHAIRMAN. But you have got it.

Mr. KNUDSEN. But if 1938 should actually be a low business year, we would require all we have got, and perhaps more.

The CHAIRMAN. More than $450,000,000?

Mr. KNUDSEN. You come back to that.

The CHAIRMAN. Well, I come back to it—have you had as high a surplus——

Mr. KNUDSEN. Our cash is $30,000,000 less than it was last year, cash and Government securities.

The CHAIRMAN. But your total surplus is greater than ever in your history.

Mr. KNUDSEN. Henry tells me here that, I should explain to you, that this surplus consists of plant values, inventories, and cash. It is not money.

The CHAIRMAN. It is plant values, inventories, and cash, and Government securities?

Mr. KNUDSEN. Yes.

The CHAIRMAN. Your information from him is that your cash and Government securities is $30,000,000 less, but higher than your average surplus through the years; isn't it?

Mr. KNUDSEN. Our surplus is higher than the average, but we employed more men.

Senator MURRAY. Mr. Knudsen——

Mr. KNUDSEN. We carried 27,000 more men on the pay roll in 1937 than in 1936.

Senator MURRAY. I am somewhat in doubt as to the extent of this lay-off you were speaking about. I understood you had 221,000 men on the pay roll the 1st of October, and that was reduced to 216,000 by December the 4th, and then 22,000 were laid off between December the 4th and Christmas time; is that right?

Mr. KNUDSEN. Yes, sir.

Senator MURRAY. Then you proceeded to lay off several thousand additional to that, making a total of 30,000, and that is the full extent of the lay-off?

Mr. KNUDSEN. That is the full extent, on the basis of business as it is today.

Senator MURRAY. You know of no economic conditions that justified this recession?

Mr. KNUDSEN. No, sir; the only thing I know of is that sales have gone down.

Senator MURRAY. Have you been observing the press of the country during the year, the special articles that were being written with reference to the national conditions and expressing the fear that this country was undergoing some serious change in its form of government; that there was a threat of introducing some foreign system of government into the United States?

Mr. KNUDSEN. I don't worry about that.

Senator MURRAY. You don't observe anything like that?

Mr. KNUDSEN. I wouldn't worry about anything like that at all.

Senator MURRAY. You don't think that that had any effect in creating this fear in the minds of the people?

Mr. KNUDSEN. I don't think so.

Senator MURRAY. Did you read any of these economic articles at the commencement of this recession, which went on to express the fear that this would develop into as serious a depression as the one that started in 1929?

Mr. KNUDSEN. I have seen such articles.

Senator MURRAY. Do you believe that those statements were right?

Mr. KNUDSEN. I do not, sir.

Senator MURRAY. Then you think that that kind of statement published in the press would have some bad psychological effect?

Mr. KNUDSEN. I don't know as I could pass judgment on that. I know it did not have any effect on me.

Senator MURRAY. Of course, you are selling cars to people all over the country that are not in a position to have such clear judgment as you would have; are you not?

Mr. KNUDSEN. Yes, sir; but I venture to say that you could find sections of this country where they have not heard about this recession yet.

Senator MURRAY. That have not heard about it?

Mr. KNUDSEN. This is a big country, sir.

Senator MURRAY. But I think there are very few sections that are not affected, according to reports coming in from the W. P. A.,

Mr. KNUDSEN. I got the feeling through the dealers, at the last dealer conference, that the dealers in the big cities were the only ones concerned with it. The dealers in the country sections did not feel very much alarmed about the situation. In fact, they were rather nonchalant about it.

Senator MURRAY. Then you cannot account in any way for this fear that has been developed? You don't understand it?

Mr. KNUDSEN. I cannot, sir; I cannot pass judgment.

Senator MURRAY. But you do feel that it is entirely unjustified?

Mr. KNUDSEN. I think so.

Senator MURRAY. All the conditions that exist today in the country would be prosperous and happy conditions if they would only forget this fear.

Mr. KNUDSEN. I think so.

The CHAIRMAN. Do you believe in the law of supply and demand, Mr. Knudsen?

Mr. KNUDSEN. Yes, sir; I have had a striking illustration of it.

The CHAIRMAN. Now, when it comes to agriculture, you do not believe in the doctrine of scarcity?

Mr. KNUDSEN. What is the doctrine of scarcity, Senator?

The CHAIRMAN. Controlling production upon the farms. Do you believe in that?

Mr. KNUDSEN. I don't know anything about farms.

The CHAIRMAN. You don't believe in controlling production, that when it is not controlled, the effect of a large production results in decreased prices. If the farmer produces large crops, he generally gets a low price.

Mr. KNUDSEN. I think it evens itself out. Generally he gets more for what he has.

The CHAIRMAN. You think if he produces more he gets more for what he has?

Mr. KNUDSEN. Maybe I can give an illustration. I paid as high as $1.50 for rubber during the war. Now, I have to step outside of the country. I paid as high as $1.50 for rubber per pound during the war. That was the top price. It got down to 4 cents in 1932, and now it has got up again to 15 and 16 cents, and the rubber stocks were carried only to such an extent that business would absorb them. It wouldn't do you any good to carry a 20-year supply of rubber because you couldn't handle it. It would spoil, you know, and also the planters who were prosperous at $1.50 and broke at 4 cents, are now reasonably prosperous at 15.

The CHAIRMAN. The planters?

Mr. KNUDSEN. Yes; and I wonder if crops aren't subject to some of the same things; if the crops are good, there are more crops, but doesn't the seller get more money in total than he had before?

The CHAIRMAN. Your idea is that he does, and there should be no control of production?

Mr. KNUDSEN. I don't know; I can't tell you if there should or should not.

The CHAIRMAN. Certainly this is true, insofar as the automobile business is concerned, regardless of the demand falling off 50 percent in a month, you believe you should retain your prices?

Mr. KNUDSEN. At the moment; yes.

The CHAIRMAN. At the moment.

Mr. KNUDSEN. There is no justification or cause for the reduction of prices just now.

The CHAIRMAN. It is only cost. Demand does not influence you at all, the lack of demand does not influence you at all to reduce prices?

Mr. KNUDSEN. No; not at the moment.

The CHAIRMAN. If there was a further decrease of 20 percent this month, you would still hold to your price?

Mr. KNUDSEN. Well, we naturally have to sit down and see what we can do, how much money we are willing to lose.

The CHAIRMAN. That had not occurred to you up to this time?

Mr. KNUDSEN. No, sir.

Senator LODGE. Mr. Knudsen, we have heard about the psychological effect, this fear attitude, which the action of General Motors could have. Is it also true that the attitude of Government has a very pronounced effect upon the psychology of fear?

Mr. KNUDSEN. Yes, sir.

The CHAIRMAN. Then what would you have the Government do?

Mr. KNUDSEN. I am not in a position to tell you, sir, what the Government should do.

The CHAIRMAN. That is all, Mr. Knudsen.

(Supplementary data submitted by Mr. Knudsen follows:)

GENERAL MOTORS CORPORATION,
Detroit, Mich., January 13, 1938.

Mr. ALAN JOHNSTONE,
Counsel, Special Senate Committee on Unemployment and Relief,
Washington, D. C.

DEAR MR. JOHNSTONE: I return herewith copy of my testimony before your honorable committee, under date of January 6, and also the following supplementary data either requested in your wire or at my visit:

Schedule A: Statement of deliveries to consumers for 1937 by months.

Schedule B: Statement of deliveries to consumers for 1937 model year on a percentage basis, compared with the planned deliveries, showing the effect of the strike in February 1937, and shortage of cars in the spring months.

Schedule C: Statement of pay rolls and employment 1929–37, inclusive.

Schedule D: Statement of United States taxes estimated for 1937.

Schedule E: Statement of average employment in the car, body, and accessory divisions by months for 1937 with supporting data covering each division.

Schedule F: Statement of 24 months' installment contracts covering 9 months' actual experience in 1937.

Schedule G: Statement of estimated surplus at the end of 1937, giving cash position and distribution of earned surplus for the year.

Schedule H: Copy of Detroit Times for December 28, 1937, giving the story of the lay-off.

With reference to schedule A you will observe that I have given the last 3 months' sales of new and used cars by 10-day periods in order to show the sudden drop on deliveries. In schedule B I give you the percentages of expectancy per month along with the actual experience in the model year in order to show that a car shortage existed due to labor troubles during the first 6 months.

In schedule C I am showing how pay roll and employment rose steadily from 1932 to 1937, the increase in employment being over 100 percent but with a pay-roll increase of over 225 percent, showing cost increases on the labor side, plus more hours of employment for the men. A comparison with 1936 shows the first point rather clearly.

In schedule D a more complete estimate of taxes for 1937 is given showing the amount of excise tax collected for the Government.

Schedule E is the actual pay-roll figures for the year 1937, and gives the details by divisions.

Schedule F answers your question in the testimony. You have observed that I allotted cash sales in straight proportion to installment contracts for the 12 percent ratio. If all cash sales on new cars were allocated to General Motors side, the percentage would be considerably lower, but not knowing what percentage of outside financing was done on a 24-month basis, I split the cash sales in ratio to

contract sales, and applied General Motors 24-month contracts to General Motors share of the total business.

Schedule G is related to our surplus account, and is self-explanatory, in our attempt to give the Honorable Senator Byrnes a more complete picture of the account.

Schedule H, copy of Detroit Times of December 28, is enclosed in order to clear up the extent of the lay-off. When questions were directed at me, and as I read the testimony, the impression might be gotten that the 30,000 lay-off was from the peak number of October 221,000, which is incorrect. As you will see from the newspaper, I quoted pay-roll figures for the entire corporation, and it shows plainly enough that the total reduction was estimated close to 60,000 rather than 30,000 from the peak.

Preliminary estimates, which can be confirmed in another week when the first January pay roll is completed, indicate the total pay-roll figure will be about 217,000 instead of 205,000 as forecast, or a total reduction from the peak of 48,000 to 50,000 employees.

I am quite anxious that the matter should be presented in its true light, as in answering the questions directed to me, I feel that I did not tell the complete story. Also, I should like to impress on you the size of the task of getting figures together where you are dealing with 93 plants in 47 cities in the United States and Canada.

Yours very truly,

F. W. KNUDSEN, *President.*

SUPPLEMENTARY DATA SUBMITTED TO UNITED STATES SENATE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF BY W. S. KNUDSEN, PRESIDENT GENERAL MOTORS CORPORATION, JANUARY 13, 1938

SCHEDULE A. *General Motors Corporation domestic deliveries, United States car divisions*

Month	New cars		Used cars	
	1936	1937	1936	1937
January	102,630	92,179	226,852	195,330
February	96,252	52,229	208,403	194,071
March	181,756	195,619	251,578	260,525
April	199,203	198,201	288,763	294,915
May	195,067	178,416	329,551	309,922
June	190,259	153,946	346,505	310,670
July	163,576	163,870	267,986	262,352
August	133,503	156,179	246,225	258,279
September	85,117	88,326	213,424	222,537
Oct. 1	16,291	27,910	62,105	61,551
Oct. 2	13,348	26,178	58,339	65,252
Oct. 3	14,634	52,374	67,002	70,509
Nov. 1	46,178	43,186	43,049	60,834
Nov. 2	57,305	41,722	59,333	61,749
Nov. 3	51,876	33,739	67,296	59,762
Dec. 1	55,555	30,562	64,580	51,501
Dec. 2	58,892	26,771	71,908	54,692
Dec. 3	59,917	32,098	88,814	65,503

NOTE.—The last 3 months have been detailed by 13-day periods to show the severity of the drop.

SCHEDULE B. *Seasonal trend of retail deliveries*

	Normal seasonal trend based upon Nov. 1 [1] announcement	Seasonal trend based on 1937 model year, actual		Normal seasonal trend based upon Nov. 1 [1] announcement	Seasonal trend based on 1937 model year, actual
November 1936	10.0	9.0	June	10.8	9.0
December	7.5	10.2	July	9.0	9.6
January 1937	5.9	5.4	August	6.8	9.1
February	5.9	3.0	September	5.0	5.1
March	10.8	11.4	October	3.5	6.2
April	12.6	11.6			
May	12.2	10.4		100.0	100.0

[1] Approximate.

SCHEDULE C. *Pay roll and employment, United States*

	Average number of employees	Amount of pay roll		Average number of employees	Amount of pay roll
1929	224,807	$368,134,968	1934	173,539	$245,055,679
1930	163,627	252,969,500	1935	189,103	300,744,587
1931	144,518	219,668,596	1936	207,315	351,306,496
1932	112,031	132,631,506	1937	234,888	431,610,654
1933	134,655	160,497,942			

SCHEDULE D. *United States taxes (1937 estimate)*

Federal:		
Income and excess profits	$41,700,000	
Undistributed profits	6,500,000	
Capital stock	3,350,000	
Social security (Federal)	5,440,000	
Excise	33,700,000	
Total Federal		$90,690,000
State and local:		
Unemployment insurance	$8,400,000	
Other (property, etc.)	10,750,000	
		19,150,000
		109,840,000
Less: Excise		33,700,000
Excluding excise		76,140,000

SCHEDULE E.—*Average number of employees of General Motors Corporation, 1937*

CAR DIVISIONS

Division	January	February	March	April	May	June	July	August	September	October	November	December
Chevrolet Motor	41,928	45,687	60,567	60,343	59,827	60,026	60,339	58,986	43,822	59,923	61,169	55,115
Pontiac Motor	9,466	7,883	10,841	11,057	11,124	11,305	11,045	8,347	10,633	11,895	8,725	10,013
Olds Motor Works	6,538	6,015	8,563	8,664	8,645	8,650	8,523	5,245	7,123	7,910	7,803	6,636
Buick Motor	11,335	11,138	17,419	17,949	18,239	18,286	17,496	14,339	17,329	17,824	17,786	14,637
Cadillac Motor Car	3,314	4,216	6,447	6,772	6,872	6,807	6,326	4,609	5,278	6,225	6,358	5,644
Linden	18	19	59	475	1,965	2,554	3,010	2,540	1,518	3,153	3,440	2,618
Southern California	2,958	1,040	3,018	3,206	2,600	2,371	2,457	499	1,254	2,667	3,096	1,970
Total	75,557	75,998	106,914	108,565	109,272	109,999	109,196	94,565	86,957	109,497	108,377	96,633

BODY DIVISIONS

Fisher Body Operations	24,445	35,164	50,871	51,931	51,148	49,863	48,141	37,312	35,827	45,341	44,763	43,740
Fisher Lumber Operations	2,419	2,260	3,017	3,031	2,680	2,637	2,411	2,787	2,908	2,964	2,897	2,647
Ternstedt Manufacturing Co	8,970	11,829	11,931	11,901	11,763	11,551	11,518	10,333	12,243	13,012	12,919	11,850
Total	35,834	49,253	65,819	66,863	65,591	64,051	62,070	50,432	50,978	61,317	60,579	58,237

ACCESSORIES DIVISIONS

AC Spark Plug	5,992	5,993	6,063	6,031	6,077	6,107	5,899	5,717	6,106	6,133	5,791	4,134
Delco Brake	959	901	914	908	921	915	920	941	964	976	971	744
Delco Products	6,103	6,209	6,286	6,282	6,205	6,208	5,942	5,829	6,317	6,194	6,068	4,981
Delco-Remy	5,257	9,837	10,531	10,968	10,781	10,826	9,501	10,823	11,082	11,167	10,875	9,821
Delco Radio	824	845	834	635	615	593	538	613	976	1,303	1,289	1,168
Packard Electric	1,277	1,277	1,363	1,284	1,158	1,080	995	1,161	1,319	1,367	1,339	1,194
Guide Lamp	937	3,010	3,803	3,809	3,450	3,191	2,702	2,636	3,270	3,732	3,636	2,593
Harrison Radiator	3,044	2,787	2,598	2,687	2,839	2,937	3,008	3,102	3,017	3,366	3,395	3,138
Hyatt Bearings	1,613	1,786	1,899	2,113	2,274	2,290	2,278	2,310	2,315	2,201	2,038	1,518
Inland Manufacturing	2,929	2,788	3,030	2,990	2,854	2,448	2,277	2,680	3,010	3,294	3,186	2,460
Moraine Products	142	150	153	156	162	166	178	188	196	208	218	195
New Departure	7,250	7,327	7,611	7,822	7,992	8,090	7,846	8,240	8,303	8,279	7,982	6,822
Saginaw Malleable Iron	1,477	1,459	1,518	1,562	1,585	1,585	1,611	1,633	1,663	1,628	1,609	1,480
Saginaw Steering Gear	805	741	1,173	1,207	1,213	1,264	1,153	1,158	1,189	1,183	1,176	1,163
Total	38,609	45,110	47,776	48,514	48,126	47,700	44,848	47,031	49,727	51,031	49,573	41,411
Grand total	150,060	170,361	220,509	223,942	222,989	221,750	216,114	192,028	187,662	221,845	218,529	196,281

SCHEDULE F

In giving our testimony it was stated as an estimate that 12 percent was the volume of cars sold on 24 months' time. The basis of this estimate was the following data for 9 months of 1937 supplied by General Motors Acceptance Corporation.

	New cars	Used cars
12 months or less	150,761	439,319
13 to 17 months	9,657	85,471
18 months	206,854	126,999
19 to 23 months	5,584	1,748
24 months	91,770	3,653
Over 24 months	1,332	91
Total	473,958	657,281

This is to be applied against total General Motors cars sold of 1,277,800. Of these cars 40 percent about were sold for cash, leaving the 24-month contracts to apply against a total of 766,680 new cars sold on time payments, the difference between this figure and our figures being represented by cars financed with other companies or direct through banks. This brings the result, that of General Motors installment contracts, 24-month contracts and above were 19.64 percent and to the total business (61.8 percent of 1,277,800) 11.8 percent.

SCHEDULE G

During testimony before your committee on January 6, due to the fact that complete data were not then available, it was necessary to use certain figures covering an 11-month period in 1937, while other figures were for the entire year. Obviously in most cases these two groups of figures were not comparable, and the following is transmitted for your information showing the position of General Motors at the close of 1937, insofar as the reports have been tabulated to date. They represent the best estimate possible at this time as the books are not closed for the year.

The surplus account of General Motors, at the end of 1937, stood at $396,000,000 or $28,000,000 above the surplus at the end of 1936. This surplus, however, as I explained before, does not consist entirely, or even principally, of cash. By far the greater portion of it is represented by the following items: Real estate, plant or factory buildings, tools and equipment, to operate the plants, and inventories of raw materials, finished and unfinished goods. In other words, most of this surplus represents savings from former years, which have been invested in the expansion of manufacturing facilities.

Our surplus increased $28,000,000 in 1937, but this amount, and more, had already been turned into expanded plant facilities and increased inventories. During the year about $75,000,000 was spent in plant expansion and $65,000,000 invested in increased inventories. The extent to which our resources were used to maintain operations is strikingly shown by the fact that cash on hand decreased $45,000,000 during this period.

Referring again to the surplus account, in addition to the items mentioned above, surplus may also be considered as including the cash on hand. As of the close of 1937, our cash and government securities on hand amounted to $152,000,000. It will be seen that with most of the surplus already invested in plant, equipment, and inventories, this cash item is the only one which might even remotely be thought of as being available for providing additional employment or for continuing employment of men temporarily laid off.

As a matter of act, though, we are not entirely free to do as we please with this cash, representing liquid working capital. In the first place, we have accounts payable—sums due suppliers and others—amounting to $64,000,000. In addition, General Motors must pay taxes in 1938 amounting to more than $75,000,000. Other current liabilities exist, but these two items alone, amounting to $139,000,000 would largely absorb the present cash on hand.

Furthermore, even it if were considered wise to disregard the safety of the organization, and utilize the $152,000,000 in cash for the employment of extra labor, it must be remembered that this would necessitate an additional expenditure of about $450,000,000 for materials for the men to work with—or a total expenditure of some $600,000,000. No such sum is, of course, available.

But, aside from the fact that this $152,000,000 in cash is essential for operating purposes, there is another very important reason why it would be unwise, from the standpoint of the employes themselves, to continue production at a peak rate at this time.

If we retained these extra men, it would mean that we would be building up a constantly greater inventory of finished cars. At the moment our dealers' stocks are 60,000 cars in excess of a year ago. It is not our policy to load our dealers with cars and we do not feel that they can go beyond this point with safety. As I have mentioned previously, our own inventories are $65,000,000 higher than at the end of 1936. It might be argued that we could lease additional storage space and continue to fill that space with the cars produced by the extra men but, obviously, at the end of a comparatively short period we would find ourselves with the better part of a season's supply of cars made up in advance. When that time came, the only thing for us to do would be close down the plants completely, thereby throwing not merely the extra men out of work, but our entire force of 200,000 men out of work.

SCHEDULE H. 30,000 IN GM DUE TO BE LAID OFF JANUARY 1

[From the Detroit Times, December 28, 1937]

General Motors Corporation will lay off 20,000 employees January 1 in Detroit, Flint, Pontiac, Ionia, Saginaw, Bay City, and Grand Rapids, William S. Knudsen, president of the corporation, announced today.

Ten thousand more employees in GM plants over the country will be laid off, Knudsen said. He added he hoped "that normal business would put us back on our feet this spring."

Knudsen broke down the layoffs as follows: In Detroit, 7,000; Flint, 6,000; Pontiac, 3,500 to 4,000; and Saginaw and Bay City, 2,400.

"We regret doing this but we are forced to by the business recession," Knudsen said. "I hope we have reached the bottom of the recession now."

Present when the announcement was made were the heads of all GM Michigan operations.

30,000 ALREADY IDLE

Knudsen said:

"I have tried to keep the load until after Christmas. In October there were 265,000 men on the pay roll. There has been a gradual laying off and shortening of hours until today there are 235,000 on the pay roll. After the layoffs there will be 205,000 on the pay roll, earning $24,000,000 monthly.

"We regret it exceedingly. We had hoped to go on as we had started, with a banner year. Our top figure of employees this spring was 270,000."

Asked what had caused the slump, Knudsen said:

"I believe that general prices increased too rapidly. Probably the general increase in wages had something to do with it."

SEES HOPE IN APRIL

About the future outlook, Knudsen said:

"I think we have about reached the bottom. We hope that our April month will put us back again."

"Our inventory today shows we have $65,000,000 more in cars and parts on hand than we had last year at this time," Knudsen said. "This does not include dealers' inventory. That $65,000,000 is about 45 percent more than last year.

"Our used car market has stopped. When you can't move used cars you can't move new cars."

Amplifying his statement on the used cars, Knudsen said there are about 600,000 used cars on the market now, about 160,000 more than last year at this time.

PLAN 24-HOUR WEEK

With Knudsen were the following GM division officers: P. H. McGregor, manufacturing manager of Pontiac; Harlow H. Curtice, president of Buick; Nicholas Dreystadt, general manager of Cadillac; Charles L. McCuen, general manager of Oldsmobile; M. E. Coyle, president of Chevrolet; E. F. Fisher, general manager of Fisher Body; B. D. Kunkle, director of manufacturing of the accessories division; and G. Donaldson Brown, vice chairman of the GM board.

"There will be a 24-hour week for those still working or a 3-day week," Knudsen said. "We can't stagger the week more than that because we must give the men a

living wage. The average wage is 95 cents an hour. Family men are being given the employment preference and layoffs are being made according to union contracts."

CONTINUE U. A. W. PARLEY

Asked if this employment situation would alter pending U. A. W. discussions, Knudsen said: "No, we will continue with our discussions."

Knudsen emphasized that he can only give his personal opinion on the causes of the business recession. He again repeated prices had gone up too fast.

"In our imports, such as rubber and tin, the war scare undoubtedly had something to do with the increase in prices." Knudsen said. "In this country, the general increase in wages had something to do with it. There will be no reductions in the prices of cars for the moment. We haven't even thought of it.

WRONG ON VOLUME

"Our advance in prices of 8 and 10 percent by no means covers our advanced cost of manufacture. While our retail price is up between 8 and 10 percent, our cost price is up about 13½ percent. We figured to make up the difference in volume. It seems we were wrong.

"We called you in here so you would understand the situation. We did all we could to keep the men working as long as we could. We wanted to make the situation clear.

"This layoff is bigger than a seasonal layoff.

"We hope to manufacture about 90,000 units in January. This does not include our Canadian business. Oddly enough, they have had no recession. Their business is normal as was anticipated."

Knudsen emphasized that there will no layoffs in the Yellow Truck and Coach Manufacturing Co. and the General Motors Truck. Their business has been steady because of large bus and truck orders, Knudsen said.

STATEMENT OF THE AUTOMOBILE MANUFACTURERS' ASSOCIATION, SUBMITTED TO THE SPECIAL SENATE COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF AT WASHINGTON, THURSDAY, JANUARY 6, 1938

1. 4,800,000 automobiles were produced in the United States alone in 1937, 10 percent less than in 1929.

2. Employment averaged 517,000, largest ever, and 16 percent above 1929. More than 6,000,000 persons, 1 in every 7 gainfully employed in the United States, owed his employment directly and indirectly to the automobile industry and its products.

3. The average number of man-weeks of employment necessary to produce a car was higher in 1937 than in any previous year of comparable volume.

4. The automobile industry was the only one having an increase in labor cost per unit of output since 1929. This increase was due chiefly to improvement in cars and increased values to consumer.

5. The completeness of reemployment by the automobile industry was evidenced by the fact that the relief burden in automobile centers in 1937 was far lower than in other industrial centers of comparable size.

6. Hourly earnings of workers in automobile, body, and parts plants were estimated to average 87.2 cents per hour for the first 8 months on 1937, according to the Bureau of Labor Statistics. The Automobile Manufacturers' Association November estimate is 91.5. Weekly earnings average $32.04 for first 8 months, latest figures available.

Annual earnings of the individual factory workers were unusually high in 1937 because of the industry's employment-stabilization program, including banking of subassemblies during model-change period.

7. Employees of the industry show exceptional health record.

8. At present, dealers have on hand about 400,000 new cars, highest stock since 1930.

Manufacturers have very large inventories of parts and subassemblies.

9. Hourly wage rates are 30 percent above 1929, all direct manufacturing costs are equal to 1929, but automobile prices per pound are still 13 percent below 1929.

10. The automobile-manufacturing industry remains optimistic of its ability to continue to provide high dollar value in automobiles and employment to increasing numbers of men under most favorable wage and working conditions.

NOTE.—All data presented in this study are the latest available.

Mr. CHAIRMAN AND GENTLEMEN: Responding to the invitation of the chairman of your committee, the Automobile Manufacturers Association begs leave to submit the following statement of facts concerning conditions in the automobile manufacturing industry during 1937, with particular reference to employment and working conditions in the industry.

The Automobile Manufacturers Association is composed of all important manufacturers of motorcars, trucks, busses, and taxicabs, except the Ford Motor Co. A list of the 33 members of the association is attached hereto for the record.

I. EMPLOYMENT RECORD IN 1937

The year 1937 has been, in most respects, an outstanding one in the history of the automobile industry. Approximately 4,800,000 cars and trucks were produced in the United States alone—the greatest number in any year except 1929. Average monthly employment in 1937 in the United States automobile body and parts plants was 517,000—the greatest number ever employed by the industry.

Employment in automobile, body and parts industry

[From U. S. Bureau of Labor Statistics]

1937:		1937—Continued.	
January	504, 180	August	478, 005
February	513, 040	September	453, 036
March	529, 953	October	539, 215
April	548, 477	November	[1] 534, 383
May	563, 780	December	[2] 464, 000
June	554, 921	Average	517, 000
July	525, 121		

[1] Preliminary.
[2] Estimated.

It is estimated that somewhat more than 6,000,000 persons, about 1 in every 7 gainfully employed persons, owed his employment directly or indirectly to the automobile industry. These persons were engaged in furnishing raw materials and supplies, in sales and service, as truck drivers and chauffeurs, and in highway maintenance and repair.

Although 1937 production was 10 percent less than 1929, average employment in automobile and parts plants exceeded 1929 by 16 percent, by far the greatest number ever employed by the industry. There are several reasons to account for this fact, but the principal one is to be found in the additional labor required by the increased size and weight of cars, the added features of their design, and greater precision of manufacture.

According to figures from the Department of Commerce and Department of Labor, the average number of man-weeks of employment necessary to produce a car was higher in 1937 than in any previous year of comparable volume. It is impossible to give man-hour figures because no reliable information on man-hours worked is available before 1933.

An interesting reflection of these facts is to be derived from a table appearing in the November 1937 Monthly Labor Review of the United States Department of Labor as part of an article entitled "Labor in Depression and Recovery." This article indicates that the automobile industry is unique in having an increase in labor cost per unit of output of 9 percent since 1929, while every other industry showed either no change or a decrease in labor costs ranging as high as 48 percent.

This increase in automobile labor costs has taken place in spite of the industry's acknowledged leadership in production technique. The improvement in the car during this period was responsible. Savings in production have been plowed back into improved design and increased values to the consumer.

Automobile prices—Closed models only—Passenger-car weighted averages

Year	Specifications		Price per pound shipping weight	U. S. Department of Labor—General index of all wholesale prices (1926=100)
	Factory list price	Shipping weight (pounds)		
1929	$743	2,623	$0.28	95.3
1936	603	2,881	.21	80.8
Percent change, 1937/1929	−18.8	+9.8	−25.0	−15.2

II. RELIEF BURDEN LIMITED IN AUTOMOBILE CENTERS

As evidence of the completeness of reemployment in the automobile industry, the relief loads in automobile manufacturing centers during recent years have been considerably less than in most comparable industrial cities. Official figures for 1927 covering both Works Progress Administration and direct relief tabulated below show motor centers with comparatively little unemployment.

Case load, January–October 1937 per thousand population (1930)—Direct relief and Works Progress Administration

Urban area:	Case load (per M)
Scranton, Pa	56.7
Camden, N. J	51.4
New York, N. Y	50.8
Philadelphia, Pa	48.7
Cleveland, Ohio	45.7
Newark, N. J	44.7
Pittsburgh, Pa	43.0
Syracuse, N. Y	41.8
Buffalo, N. Y	41.3
Chicago, Ill	41.1
Indianapolis, Ind	40.7
Milwaukee, Wis	40.1
Jersey City, N. J	39.6
Evansville, Ind	38.6
Toledo, Ohio	38.5
Trenton, N. J	38.2
Rochester, N. Y	36.1
St. Louis, Mo	34.8
Columbus, Ohio	34.0
Erie, Pa	33.4
Cincinnati, Ohio	32.1
Akron, Ohio	31.8
Paterson, N. J	30.8
Grand Rapids, Mich	30.7
Dayton, Ohio	29.9
Lansing, Mich	29.9
Youngstown, Ohio	28.2
Peoria, Ill	27.2
South Bend, Ind	26.9
Gary, Ind	26.5
Flint, Mich	26.5
Utica, N. Y	24.3
Reading, Pa	22.3
Washington, D. C	20.6
Fort Wayne, Ind	19.4
Canton, Ohio	18.9
Detroit, Mich	17.1
Elizabeth, N. J	16.1
Pontiac, Mich	15.8

All cities over 100,000 within 500 miles of Detroit for which data are available, plus Lansing and Pontiac, Mich.

Average total case load, direct relief and Works Progress Administration, as reported by Works Progress Administration and Social Security Board.

Some data refer to cities proper, some to county areas. All are stated in terms of 1930 population for the appropriate area.

III. EMPLOYEE EARNINGS IN 1937

This record high level of employment and low level of relief was not accomplished by spreading work too thin in automobile factories. Standard schedules of 8 hours per day and 40 hours per week, with time and one-half for overtime, prevail in the industry. Hourly earnings in auto, body, and parts plants averaged 87.2 cents per hour for the first 8 months of 1937 according to the United States Bureau of Labor Statistics, while our estimate of the November figure is 91.5 cents per hour. This 8 months' average was exceeded by only 3 of the 90 manufacturing industries for which these figures are compiled, and was 38 percent above the average for all industries. Weekly earnings in auto factories averaged $32.04 for this 8 months' period.

Annual earnings for factory employees also reached a high level in spite of loss of time and production due to strikes. During the 1937 model year 75 percent of the employment in plants of members of the Automobile Manufacturers Association went to men who received more than $1,380 from a single job during the year. The average earnings of these employees was $1,800. Supplementary income is not included. It should be noted that this figure $1,800 represents an average of 45 weeks of work during the year.

In comparison, the United States Bureau of Labor Statistics reports an average of $24.90 a week for all manufacturing industry for the same period. This is less than $1,300 for a full 52 weeks of work.

Favorable working conditions and relatively high income is reflected in a good health record. Figures are not available for the entire industry, but the health record of General Motors' employees is 30 percent better than the average for all companies reporting to the United States Public Health Service.

IV. STABILIZATION AND SUSTAINED EMPLOYMENT

High annual earnings for employees were achieved this year, in spite of loss of employment due to strikes, by virtue of a substantial increase in hourly rates, and through the continued application of the program of employment stabilization adopted by the industry several years ago. Under this program, the announcement date for new models was advanced from early January of each year to the preceding October 1. This made is possible to keep men employed in producing cars to satisfy early demand, and creating dealer stocks during the late fall and early winter, which had previously been a period of low activity. The plan also called for producing and stocking parts and subassemblies during the change-over period in the fall. Last November the United States Department of Labor issued the following statement on progress under this stabilization program:

"The automobile industry deserves commendation from the public for the very definite progress it made toward stabilization of employment during the past year. Although the number of cars completed fell by 68 percent from the peak month to the slack month of the past year, the number of wage earners employed fell by only 20 percent between May, the month of peak employment, and September, the month of slack employment.

"As a result employment in the industry was more stable than in any year since 1925. This stabilization of employment, with increased earnings and a total production of 4,922,000 cars during the 1936–37 season, helped business generally."

In accordance with this program, and despite an unfavorable sales trend which became apparent shortly after the 1938 models were introduced this fall, nearly all employees were kept employed until Christmas. Since the retail demand was considerably less than hoped for, this was only possible by stocking distributors and dealers to the maximum and storing to capacity parts, subassemblies, and finished cars.

V. PRESENT SITUATION

At the present time dealers have about all the cars they can afford to carry. By comparing factory shipments with new registrations, it is estimated all dealers have on hand almost 400,000 new cars. This is the largest stock since March of 1930.

At the same time, manufacturers have on hand as large an inventory of manufactured parts, subassemblies, and finished cars as they can manage.

Needless to say, the industry is giving extraordinary attention to efforts to revive retail demand. The winter months are, of course, always low in both new

and used-car sales. The record shows, however, that automobile sales are very closely dependent upon national income. Any material improvement in general business activity will be quickly reflected in reemployment in the automobile industry.

VI. THE OUTLOOK

The changes in labor and working conditions during the past year have raised some questions concerning the outlook for the future. Substantial increases in hourly rates; reductions in former work schedules, permitting less flexibility of operations and increasing overhead costs; rapid increases in raw material prices, based, in large part, on increased labor costs in supplying industries; and increasing tax burdens have all added materially to the cost of producing an automobile.

The following table compares the yearly average indexes of prices per pound, factory labor and material cost per pound, and hourly wage rates since 1929. You will note that ever since 1934 hourly wage rates have exceeded 1929 levels. Average factory cost per pound in 1937 equaled 1929, while selling prices per pound averaged 20 percent below the 1929 level.

It is worth noting that present prices per pound of 1938 models show an increase of only 15 percent from the depression lows of 1933. During this entire period, extensive improvement and refinement in the quality of the car has increased labor requirements to build the car and called for a higher grade of raw material, both of which factors have added materially to the cost of the finished product

Automobile prices and costs

[1929=100]

Year	Index of retail car prices per pound [1]	Index of factory labor and raw material per pound [2]	Index of factory wage rates per hour [3]	Year	Index of retail car prices per pound [1]	Index of factory labor and raw material per pound [2]	Index of factory wage rates per hour [3]
1929	100	100	100	1934	79	93	105
1930	96	88	100	1935	75	87	109
1931	89	86	98	1936	75	89	112
1932	82	92	88	1937	79	100	[4] 130
1933	75	80	88				

[1] Based on the f. o. b. factory list price of the cheapest 4- or 5-passenger closed model of each make, weighted by the total number of new registrations of each make.
[2] Basic raw material and factory labor weighted according to usage in car, body and parts manufacturing.
[3] National Industrial Conference Board average for automobile and automobile-parts factories.
[4] Preliminary.

Up to the middle of 1937, these greatly increased costs had been absorbed by the manufacturer with only a small increase in prices. When further sharp increases in both labor and material costs occurred early in 1937, it became necessary to pass part of them on to the public in modest price increases. These changes left automobile prices per pound 13 percent below 1929 levels, although current hourly wage rates are 30 percent above 1929 levels, and all direct manufacturing costs are equal or above those levels.

These increased costs seem at the moment to cast doubt upon the ability of the automobile manufacturers to continue to provide the same values to the consumer as in the past, or to create a demand for cars sufficient to provide the same high volume of employment. However, the public have demonstrated the universal need and desire for the automobile. The members of the Automobile Manufacturers Association have faith that somehow over the long run ways will be found as in the past, to assume these burdens and yet provide more and better values in automobiles, and also employment to an increasing number of men at a level of wages and under working conditions that will always be as favorable as those provided by any other industry.

Respectfully submitted.

AUTOMOBILE MANUFACTURERS ASSOCIATION,
ALFRED REEVES,
Vice President and General Manager.

MEMBERS OF AUTOMOBILE MANUFACTURERS ASSOCIATION

Auburn Automobile Co., Connersville, Ind.
The Autocar Co., Ardmore, Pa.
Buick Motor Division, Flint, Mich.[1]
Cadillac Motor Car Division, Detroit, Mich.[1]
Checker Cab Manufacturing Corporation, Kalamazoo, Mich.
Chevrolet Motor Division, Detroit, Mich.[1]
Chrysler Sales Corporation, Detroit, Mich.
The Corbitt Co., Henderson, N. C.
DeSoto Motor Corporation, Detroit, Mich.
Diamond T Motor Car Co., Chicago, Ill.
Dodge Bros. Corporation, Detroit, Mich.
Federal Motor Truck Co., Detroit, Mich.
Graham-Paige Motors Corporation, Detroit, Mich.
Hupp Motor Car Corporation, Detroit, Mich.
Hudson Motor Car Co., Detroit, Mich.
International Harvestor Co., Chicago, Ill.
Mack Bros. Motor Car Co., Long Island City, N. Y.
Nash-Kelvinator Corporation, Kenosha, Wis.
Olds Motor Works Division, Lansing, Mich.[1]
Packard Motor Car Co., Detroit, Mich.
The Pierce-Arrow Motor Corporation, Buffalo, N. Y.
Plymouth Motor Corporation, Detroit, Mich.
Pontiac Motor Division, Pontiac, Mich.[1]
Reo Motor Car Co., Lansing, Mich.
Sterling Motor Truck Co., Milwaukee, Wis.
Stewart Motor Corporation, Buffalo, N. Y.
The Studebaker Corporation, South Bend, Ind.
Stutz Motor Car Co. of America, Inc., Indianapolis, Ind.
Walter Motor Truck Co., Ridgewood, N. Y.
The White Motor Co., Cleveland, Ohio.
Willys-Overland Motors, Inc., Toledo, Ohio.
Yellow Truck & Coach Manufacturing Co., Pontiac, Mich.[1]

The following figures were supplied by the automobile manufacturers listed below on request of Special Senate Committee to Investigate Unemployment and Relief:

Average monthly employment in 1937 for 6 automobile manufacturing companies

Month	General Motors	Ford	Chrysler	Hudson	Packard	Studebaker	Total, 6 companies
January	150,060	122,832	63,277	12,226	14,559	7,034	369,988
February	170,361	123,762	64,465	10,492	15,378	7,182	391,640
March	220,509	124,416	64,863	10,074	15,972	6,994	442,828
April	223,942	123,323	61,337	12,784	16,532	6,874	444,792
May	222,989	122,568	61,637	14,640	16,609	6,830	455,273
June	221,750	120,262	61,238	13,881	16,394	6,698	440,223
July	216,114	119,231	60,818	9,765	16,289	3,877	426,094
August	192,028	118,032	58,856	7,266	16,086	3,728	395,996
September	187,662	115,440	38,077	8,034	15,983	6,784	371,980
October	221,845	111,853	62,122	13,366	15,893	6,794	431,873
November	218,529	113,870	63,286	11,601	15,195	6,624	429,105
December	196,281	110,812	43,955	7,857	12,977	5,136	377,018
Monthly average	203,506	118,867	58,661	10,999	15,655	6,213	414,734
Excess of number employed in high month over low month	73,882	13,604	26,786	7,374	3,632	3,454	85,285

[1] General Motors Corporation.

Average monthly employment in 1937 for 6 automobile manufacturers [1]

[Index of employment (January 1937=100)]

Month	Total	General Motors	Ford	Chrysler	Hudson	Packard	Studebaker
1937—January	100.0	100.0	100.0	100.0	100.0	100.0	100.0
February	105.9	113.5	100.8	101.9	85.8	105.6	102.1
March	119.7	146.9	101.3	102.5	82.4	109.7	99.4
April	120.2	149.2	100.4	96.9	104.6	113.6	97.7
May	123.1	148.6	99.8	97.4	119.7	114.1	97.1
June	119.0	147.8	97.9	96.8	113.5	112.6	95.2
July	115.2	144.0	97.1	96.1	79.9	111.9	55.1
August	107.0	128.0	96.1	93.0	59.4	110.5	53.0
September	100.5	125.1	94.0	60.2	65.7	109.8	96.4
October	116.7	147.8	91.1	98.2	109.3	109.2	96.6
November	116.0	145.6	92.7	100.0	94.9	104.4	94.2
December	101.9	130.8	90.2	69.5	64.3	89.1	73.0

[1] Source: Data submitted by the different automobile manufacturers on request of the Special Committee to Investigate Unemployment and Relief. (See table preceding.)

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Thereupon, at 12:30 p. m., the hearing was adjourned until 10 a. m., January 7, 1938.)

UNEMPLOYMENT AND RELIEF

FRIDAY, JANUARY 7, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10:00 a. m., in the caucus room, Senate Office Building, Washington, D. C. Senator James F. Byrnes, presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch. Also: Alan Johnstone, Esq., counsel for the committee.

STATEMENT OF GEN. ROBERT E. WOOD, PRESIDENT, SEARS, ROEBUCK & CO.

The CHAIRMAN. General Wood, you are the president of Sears, Roebuck & Co?

General WOOD. Yes, sir.

The CHAIRMAN. How long have you been president of that organization?

General WOOD. Ten years.

The CHAIRMAN. You, I assume, are familiar with the resolution under which this committee is acting and the purpose of this investigation?

General WOOD. Yes, sir.

The CHAIRMAN. By reason of your presidency of Sears, Roebuck, I assume that you are in touch with the rural purchasing power as well as the purchasing power of the cities?

General WOOD. Our business depends on it, largely.

The CHAIRMAN. During the year 1937, was there any decrease in the volume of sales of Sears, Roebuck?

General WOOD. In the last 2 months, there has been. You see, while it was originally a purely rural business, a catalog business, whose customers were the farmers in rural sections, today approximately half the business is with the industrial wage earner in the great and middle-sized cities, so the business as a whole reflects the purchasing power both of the farmers and of the industrial wage earners. The rural purchasing power has held up. In the month of December 1937 we showed a decrease of 1.3 percent from December 1936, that is, the catalog business, which represents the rural purchasing power.

In the cities there was a decrease of 5 percent. Now, that decrease, though, was very unevenly distributed. New England cities, the highly industrialized cities, and the motor cities, showed a decrease of 15 to 25 percent.

On the other hand, the Texas cities and the Pacific coast cities showed a substantial increase.

The CHAIRMAN. In December?

General WOOD. In December, with the result that all parts of the country, in the cities, showed a decrease of 5 percent.

The CHAIRMAN. In your classification of rural and urban purchases, do you base it on the catalog business?

General WOOD. Yes; we separate it between the catalog business and the stores.

The CHAIRMAN. And for the year, as a whole, there was an increase?

General WOOD. For the year, as a whole, there was a 9½-percent increase. That increase, however, in July, for the first 6 months, was 18 percent, and we have been steadily losing ground since August.

The CHAIRMAN. You mean, that the decrease, as compared with 1936——

General WOOD. I mean that the percentage of increase dropped every month until December, when it showed an actual decrease, but a very small one.

The CHAIRMAN. Have you made any survey as to industries other than your own business?

General WOOD. Of course, we buy from 6,000 manufacturers, so we are pretty well acquainted with what is going on in manufacturing. Now, as distributors, so far, the recession has not hit us much. A 2½-percent decrease in sales is not very serious, and we have not had to reduce employment very materially, but in production, particularly in steel, there has been a very great recession. Factories have been without orders, partly on account of the inventory situation for the last 3 months, and there has been a great deal of unemployment resulting from that.

The CHAIRMAN. In what particular field has that recession been most severe?

FACTORS INFLUENCING INVENTORIES

General WOOD. Well, it has been in almost all fields, I presume it has been explained to the committee, but, taking our own case, commodity prices rose very rapidly last winter, and the early spring. Now, merchants contracted pretty heavily to avoid those increases. Then, in the spring, when labor troubles began, we, for instance, took in $30,000,000 worth of goods ahead of time because manufacturers told us they were either going to have strikes or they feared strikes, and if we wanted our goods, we must take them in, with the result that inventories, in September, got very high.

The CHAIRMAN. You mean, your inventories?

General WOOD. Yes; and the inventories of all merchants, we were not alone; we had the highest inventory in our history in September, $138,000,000.

The CHAIRMAN. Well, should not that have increased the inventories of manufacturers who were causing you to take these commodities?

General WOOD. Partly, yes; but they, in turn, bought raw materials. Then, with the stock market decline and the general feeling of alarm, and the fact that sales began to fall off, we stopped buying and started to liquidate our inventory, and we have liquidated approximately $40,000,000 in the last 3 months.

The CHAIRMAN. What percent would that be, now, taking into consideration your business?

General WOOD. Our inventory is getting down to about the normal inventory today, considering the size of our business.

The CHAIRMAN. Well, then, as a matter of fact, by reason of the factors you have mentioned, your inventories were above normal in the early fall?

General WOOD. Above normal, and so were most other merchants'.

The CHAIRMAN. Now, because you have stopped your purchases, you are about back to normal?

General WOOD. Yes; we are about back to normal, and beginning to buy again.

The CHAIRMAN. Well, did you start buying again?

General WOOD. We started buying some classes of goods in the last 10 days.

The CHAIRMAN. General, what effect will that have upon these various industries you have referred to?

General WOOD. I think that inventories, in general, from what I know, distributors' inventories, will be down to normal within 30 days. I think manufacturers' inventories of raw materials should be down, generally, by March or April, then buying will recommence, and that as far as consumer goods are concerned, there will be some increase in employment. But consumers' goods alone cannot hold up the country. The shoe factories and the cotton mills, and the stove factories and the furniture factories can begin to function by March or April at a normal rate.

The CHAIRMAN. By March or April?

General WOOD. That is my belief.

The CHAIRMAN. But as they get back to work, of course, that in turn will increase purchasing power?

General WOOD. That will increase it.

The CHAIRMAN. And that will be reflected in your business as well as others?

General WOOD. Yes, sir.

The CHAIRMAN. General, last year, was there an increase in your taxes?

TAXES AND LABOR COSTS

General WOOD. Our taxes have gone from, I think, $3,000,000 in 1929 to $16,000,000 for this year.

The CHAIRMAN. How about labor costs?

General WOOD. We increased our labor rates steadily in 1933, 1934, and 1935, and 1936 and 1937. Our average increase in 1937 over 1936 was about 11 percent. The increase in volume was from $276,000,000 in sales in 1932 up to $575,000,000 in sales in 1937. The increase in volume and improved methods in efficiency took care of those increases in the rates up to this year, but now, when there is no increase in volume, of course, the percentage cost increases, both in wages and in taxes.

The CHAIRMAN. How about costs of materials?

General WOOD. The costs of materials went up, we all know, very rapidly last winter and spring. Our fall selling prices in 1937 were about 7 percent higher than in the fall of 1936, but in the spring of this year they will be back to 1936 prices. In other words, we are dropping our prices about 12 percent.

The CHAIRMAN. That is what I want to ask you: Your taxes have gone up, your wages have gone up, material costs have gone up, yet, in the last few days, you are announcing reductions in prices?

General WOOD. Yes, sir; about 12 percent altogether.

The CHAIRMAN. What was that?

General WOOD. About 12-percent reduction from last fall. Now, that varies by lines. The highest reductions were in cotton goods, 20-percent reduction. The smallest is in rubber goods, 8½ percent, and it ranges: Wool goods, 13 percent; silk, 15½ percent; iron and steel, about 11 percent; floor coverings, 16 percent; furniture, 15 percent—so on, down the line.

The CHAIRMAN. Now those goods were purchased when—contracts made when?

General WOOD. Some of them have been made, as I say, very recently; and some, where the prices have gone down, were bought earlier, but we are just "taking our licking."

The CHAIRMAN. You are "taking a licking" on them?

General WOOD. Some of them. We never bought, however, at the top, Senator.

The CHAIRMAN. Not if you could help it, I suppose, but do you agree with the statement that you cannot increase the volume of purchases by reducing your prices?

General WOOD. Of course, in our business, absolutely no.

If taxes and raw materials go down, you have got to put the prices within reach of the people to keep your volume up.

PRICE REDUCTIONS AND INVENTORIES

The CHAIRMAN. If purchases decrease, do you consider reducing prices in order to work off your inventory?

General WOOD. Yes.

The CHAIRMAN. That is what you are now doing?

General WOOD. Certainly.

The CHAIRMAN. Is that being done by others besides Sears, Roebuck?

General WOOD. Oh, yes; I think so, in general. We probably go at it more rapidly than the average, but I think it is done.

The CHAIRMAN. You say you make a decrease of 30 percent in textiles?

General WOOD. No, sir; 20 percent.

The CHAIRMAN. Twenty percent. Will it necessitate "taking a licking," as you call it, there?

General WOOD. No; because there we had sold out and we are on the new market.

The CHAIRMAN. Well——

General WOOD. In other words, we are buying 20 percent cheaper.

The CHAIRMAN. What, in your opinion, were the influential factors in the recession of business?

General WOOD. Well, that is a pretty broad question, sir.

The CHAIRMAN. It is.

General WOOD. But I think the inventory question had something to do with it. I think we probably overproduced last spring. Last spring was not as good as it seemed to be, and this fall isn't quite as bad as it seemed to be. These inventories have stopped buying, and

that has brought it on, I think, and in this I disagree with my friend Governor Eccles, for whom I have profound respect, but I have disagreed with him privately. I think that the two raises in the Federal Reserve member-bank reserves and the sterilization of the gold have had a deflationary effect.

The CHAIRMAN. Well, I wish you would tell the committee your views on that question.

GOVERNMENT SPENDING POLICY

General WOOD. It is simply an opinion. I think it was a mistake, and I think it had a deflationary psychology which was one of the causes that brought this on. Then, the third thing, as I see it, in the last 4 years we have used the Government spending to, so to speak, prime the pump, and I was heartily in accord with that in the years 1933 and '34, when private credit had broken down, but I assumed it would stop. The only way it could stop, however, if it did stop, was for private capital to step in and take up the slack, and it was just at that point that Government spending did stop this summer, but private capital did not come in, principally because it lacked confidence and was scared. I think that is another contributing cause.

The CHAIRMAN. What was private capital scared of?

General WOOD. Well, mind you, I think I have been very friendly to the present administration, though I am presumably an economic royalist, but——

The CHAIRMAN. But a good-natured one, though.

General WOOD. I have supported every reform measure the administration has put in—the Securities and Exchange Commission Act, the Social Security Act, all those acts, but you just take what happened in the last 10 days. Now, I am not a politician; but first, we get three speeches from two members of the administration, that are calculated to scare business, and then the President's speech comes out, a very moderate speech; but what is the businessman to take? If you club him over the head so often——

The CHAIRMAN. Wouldn't you rather take the President's statement than someone who has an appointment in the Government?

General WOOD. I would prefer to.

The CHAIRMAN. You would pay more attention to it.

General WOOD. I would pay more attention to it, but the fact remains that the other three were not reassuring speeches, to put it mildly, especially Mr. Ickes'.

The CHAIRMAN. The President's speech was reassuring?

General WOOD. It was reassuring, but not the other three.

The CHAIRMAN. Well, I would agree as to that—that the President's speech was more reassuring; but you get away from it, General Wood. Let me ask you as to your suggestion about the action of the Federal Reserve Board, as you seem to have given some thought to it—what suggestion have you to make as to that subject?

General WOOD. Mr. Senator, I am not a financial expert. I simply thought it was a mistake. I thought that the last raise in the bank reserves should have been canceled last fall when this thing came up. I think today, however, it is too late to do that. I think that Governor Eccles is probably right in not making any change now. I do believe that gold ought to be desterilized.

The CHAIRMAN. Did you read Mr. Eccles' statement as to the effect of that—his statement before this committee?

General WOOD. No; I did not read that.

The CHAIRMAN. What do you think would be the effect of it?

General WOOD. I think the effect would be reassuring.

The CHAIRMAN. Do you think it would give stimulus to business at this time?

General WOOD. I feel it would have some stimulating effect.

The CHAIRMAN. I think he went so far as to say he thought it would end the recession.

General WOOD. I did not know that he said that.

The CHAIRMAN. What do you think of that?

General WOOD. I don't think it would end the recession, but I think it would be one of the things that would end it. No one thing would end it. It is just like these taxes.

I think, for instance, that a modification of the undistributed-profits tax, a modification of the capital-gains tax, would be of help, but I believe in themselves they do not cause a recession nor do they cure it. I think all of these things have to be taken together.

The CHAIRMAN. We are interested in your views. You mentioned the sterilization of gold. What else do you suggest that Congress, for instance, could do, in your opinion, to be helpful in this situation?

General WOOD. I think Congress can, by a modification—not a repeal, but a modification—of those two taxes, help. I believe it will help.

The CHAIRMAN. The tax on surplus, and the capital-gains tax?

"RAINY DAY" RESERVE

General WOOD. When I said "modify" it I believe in the principle of the undistributed-profits tax, only I felt it was carried too far. I felt you ought to be allowed to hold something for reserve.

The CHAIRMAN. For the rainy day?

General WOOD. For reserve.

The CHAIRMAN. What would you be holding the reserves for?

General WOOD. Today, with the way the business changes, the way that manufacturing changes, the way that anything changes, a concern, if it is going to stay in business, it has got to modernize constantly, change its equipment, change its machinery, and it has got to have some money for that; it cannot pay out everything in dividends. Now, I am quite opposed to the old policy of some companies withholding all dividends, but I think there ought to be some reasonable amount, say 20 or 30 percent, that can be held out without being taxed, and, if that will mean a loss to the Treasury, raise the normal rate.

The CHAIRMAN. I have been quite impressed by the statements that you and others have made with reference to this reserve, a surplus, for the rainy day, but now I want to know what you had in mind about doing when this rainy day comes. You mean——

General WOOD (interposing). I am not speaking so much for the rainy day as the amount of money you have to put in every year for the improvement of your machines, buildings, bringing your equipment up to date in every respect.

The CHAIRMAN. Wouldn't you consider it as advisable, though, for the purpose of enabling you, when there comes a recession in business, as now occurs, to maintain your organization and continue your business without discharging your employees for a reasonable time, to see if the recession is merely temporary? Would you draw on that reserve in such an emergency?

General WOOD. I think Congress has done that in the Social Security Act. After all, we are contributing $3,000,000 this year just for that, to take care of the employee. The trouble is, in this present recession, unemployment insurance only takes effect in 22 States. Now, those employees who are laid off in those 22 States have a cushion to fall back upon. Unfortunately, in the other 26 States they won't have that cushion.

The CHAIRMAN. Then you mean to say that you do not look upon that reserve, then, as a source upon which you can draw to "take the licking," as you said a while ago, when there comes a decrease of sales?

General WOOD. I wouldn't say I look on it primarily as that. I look on that 20, 30 percent, let's say, that you hold out and do not pay in dividends, more as a business reserve to handle your necessary extensions and improvements.

The CHAIRMAN. Well, when a business recession comes, when the so-called rainy day comes, you go in for expansion and extension?

General WOOD. We have. We continued right through the depression. We never stopped, although at one time it looked as though it might be very disastrous. We never stopped the normal maintenance and improvements in our buildings and plants.

LAYOFF POLICY

The CHAIRMAN. Well, so far, then, as the employment end of it is concerned, this reserve does not amount to anything when the rainy day comes?

General WOOD. Not except in a relatively short period.

The CHAIRMAN. Well, a relatively short period would enable you to maintain your organization in a recession of business.

General WOOD. As far as my particular concern is concerned, we put in the social security in 1916. We contributed part of our profits for 20 years, and gave $35,000,000 to our employees. Our employees—and when I speak of our employees I speak of the rank and file—are today the largest holders of Sears, Roebuck, and, when we let some of them out, during the depression, there wasn't a man or woman with 10 years' service who did not get out with at least 3 years' salary. We had to let them out, but we provided a cushion for them.

The CHAIRMAN. You provided a cushion that let them out without going on the relief rolls. They did not become a charge on the taxpayer.

General WOOD. That's right.

The CHAIRMAN. You were furnishing the cushion.

General WOOD. That's right.

The CHAIRMAN. What about the cessation of Government spending in the last few months of 1937? Do you think that affected your sales?

General WOOD. Yes; I think that affected it because nothing relaced it.

The CHAIRMAN. Because private industry could not or did not go into it?

General WOOD. Did not, or could not. You have got to have—and I agree with the Governor there—you have to have a certain amount of money going into this system every year. It is preferable that it be private money.

The CHAIRMAN. Jobs can be given by individuals or by Government.

General WOOD. Yes; one of the two.

The CHAIRMAN. Given by individuals if they can see a profit, and, if they do not, then the Government has to do it.

General WOOD. Exactly.

RECOVERY OUTLOOK

The CHAIRMAN. General, what is your opinion as to the prospect of recovery in the immediate future?

General WOOD. I have felt that we would be on our way again, at least, I hope so, by May, but it is one of those things that might change; it might last longer, but I think the chances are today that this should be over by May.

The CHAIRMAN. Well, if your theory is correct, and I hope it is, that is due, in great measure, to the accumulation of these large inventories, and, as those inventories are reduced, we should be on the way to recovery.

General WOOD. That will help, but you have got to have the capital goods also. My firm deals only in consumer goods, as we call it, but you have to have the capital goods, too. You have got to have the railroads buying equipment; you have got to have the utilities going ahead; and, most important of all, if you can get housing started, where there is the biggest field in capital goods, that will help.

HOUSING AND RECOVERY

The CHAIRMAN. I will ask you about that: You believe that you can promote recovery at this time by going into the housing business. What should be done outside of the bill that is pending to promote recovery?

General WOOD. I don't know of anything, Senator, that can be done; and while I believe in the general features of that bill, I don't know whether it is going to start out with a bang right away, but I think it will help, and it will gather momentum.

The CHAIRMAN. What is necessary to start housing off with a bang?

General WOOD. I don't think anything will start it with a bang. I feel in that we will have the experience of England to go by. Parliament has passed several acts, and they developed, by trial and error, although their first act was not very successful; but they finally got under way, and housing has kept England up practically for the last 3 or 4 years.

HOME FINANCING

The CHAIRMAN. Let me ask you: The financing amounts to about what percent of the cost of a home?

General WOOD. There is a distinction there, Senator. It is not the financing insofar as the cost of the house is concerned, but for the

workingman who is buying the house over 18 years it is a tremendous difference. You take the $3,000 house that we will say a workingman is paying for over a period of 18 years—the difference between an 8-percent rate and a 5-percent rate amounts to over $1,200. It is the cost of payment that it affects rather than the cost of construction. The cost of construction makes very little difference.

The CHAIRMAN. What prospect do you see for any change in cost either of materials or of labor?

General WOOD. Materials have dropped very substantially, and in that I agree with Mr. Eccles. I have said that I did not feel that this was brought on by consumer resistance, or consumer strike, but in the field of housing there is no doubt that the rise in materials and the rise in labor rates in the great cities did stop it, and stopped it quickly.

Now, materials have come down substantially since last spring. Lumber, I think, has dropped off 25 percent, 25 to 30 percent, and outside the great cities I don't think labor rates are an obstacle, but in the great metropolitan areas they are an obstacle.

The CHAIRMAN. Have you any plans to suggest whereby labor could be assured of an annual income that would justify labor in voluntarily agreeing to a reduction of the hourly rate in the building industry?

General WOOD. I think it can be done, Senator.

The CHAIRMAN. How?

General WOOD. The only way that I see it can be done is through fairly large-scale operations. Instead of a man building 1 or 2 houses he undertakes to build 100 small houses over a year, 25 at a time, and keep a force going right along. That is the way they have done it in England. Of course, their climate is in their favor, because they can work all winter, whereas we cannot work in the Northern States. We can work in the Southern States in the winter.

The CHAIRMAN. Well, it would be a much easier problem where you have large-scale operation.

General WOOD. Yes, sir.

The CHAIRMAN. As to the smaller operation?

General WOOD. No; it couldn't be done in the small operation. You would have to undertake to build a block, we will say, of 100 houses, 25 at a time, and keep one crew going right through. We did that on the Canal, Senator.

The CHAIRMAN. What?

General WOOD. We put up the quarters for all the workmen and we had building crews working steadily for 3 years; put up probably four to five thousand houses in those 3 years.

The CHAIRMAN. What has been the effect upon the situation of the failure to make new capital investments?

General WOOD. Well, of course, that is what I meant by Government spending stopping. New capital investments had to come in and take up the slack, and they have not come in.

The CHAIRMAN. What can be done to revive it?

General WOOD. I think some of the things are being done.

I think the railroads can begin equipment buying if they get some increase in rates. I don't pretend to know how much. I believe if this row on utilities can ever be composed that the utilities can spend some money, and I think if the housing can get started, those three classes of capital goods could contribute a great deal toward recovery.

The CHAIRMAN. As to your own business, how has it been affected by such things as the payment of soil benefits by the Agriculture Department, cotton subsidies?

SEARS, ROEBUCK RURAL BUSINESS PARALLELS FARM INCOME

General WOOD. We have tried to trace it, Senator, but it is an awfully hard thing to trace. Our catalog business varies exactly with the farm income. It runs about 2 percent of the gross farm income, you see.

In 1929 the gross farm income was about 12½ billion; our catalog business was $250,000,000. In 1932 the farm income was 5¼ billion and our catalog business dropped to $105,000,000.

The CHAIRMAN. I understand that the soil-conservation-program payments to farmers for 1937 will be $400,000,000; that the bulk of it will be paid in February, March, and April. What effect will the payment of this sum of $400,000,000 have upon the consumer?

General WOOD. It will go right into purchasing power.

The CHAIRMAN. And in turn be reflected in manufacturing?

General WOOD. All the way back.

The CHAIRMAN. It should be of considerable help?

General WOOD. Yes; but you had that last year, too.

The CHAIRMAN. The payment in 1936 amounted to $378,000,000, so that is true; it was almost the same. I was just wondering what effect it would have on the next 3 months, the payment at that time.

General WOOD. I think that the farm condition is one of the greatest brakes against any great depression right now, because farm purchasing power is holding up. It is spotty, however. The wheat-growing sections are good; the State of Kansas is good; Texas is good; the Pacific coast is good; some sections of the South are not so good, particularly Mississippi; but altogether the purchasing power of the farmer is holding up, and that is going to help support the purchasing power in the cities.

The CHAIRMAN. With reference to that investment situation, is it true that wealthy investors have been showing a tendency to withhold from industrial investment and invest those funds in tax-exempt securities?

General WOOD. I don't know enough individuals of that type to give you an answer. I have heard it, though.

The CHAIRMAN. You have heard that to be true?

General WOOD. I have heard that to be true but I don't know that of my own knowledge; I don't know of any man in my personal acquaintance who has done that.

The CHAIRMAN. You don't know any man who has invested in tax-exempt securities?

General WOOD. Not of my own acquaintance.

The CHAIRMAN. I thought you said you had heard of it.

General WOOD. I am the head of a large firm, but I don't consider myself as one of those men.

BRITISH HOUSING PROGRAM

The CHAIRMAN. You were referring to the English situation in the housing problem. Great Britain has a lot of large firms that are handling that problem, doesn't she? Do we have any of that kind here?

General WOOD. Not at the present time. We have some large contractors, but they have always operated in the field of large office buildings and manufacturing plants. There has been nobody here like John Lang in England in the last 10 years, where he has built 5 to 10 million dollars' worth of these large residence groups, and he keeps his force constantly employed.

Senator LODGE. General Wood, I was interested in your reference to shoes a little while ago. How many shoes do you buy?

General WOOD. Let's see. I can tell you.

Senator LODGE. Roughly, in the last year, for which you have a record.

General WOOD. We sell about 15,000,000 pairs a year, on the average.

Senator LODGE. We were told here by Mr. Lubin, of the Department of Labor, that 1936 and 1937 were the biggest years for the production of shoes in all the history of the industry. That is why I ask that question.

Of that 15,000,000 pairs of shoes, how many are bought in the United States?

General WOOD. Oh, they are all bought in the United States. We buy none abroad.

Senator LODGE. Well, we are glad to hear that. Thank you. That is all.

Senator MURRAY. Mr. Wood, I understand you to say that a modification or repeal of the capital-gains tax would be advisable.

General WOOD. I think so, sir.

Senator MURRAY. Isn't it a fact that the large corporations are allowed, in their bookkeeping systems, to make deductions for repairs and depletions?

General WOOD. Well, certain classes of corporations can charge depletions, oil and mining concerns; not a concern like ours. We have depreciation on our buildings and we have depreciation on our machinery allowed us.

CORPORATION TAX DEDUCTIONS

Senator MURRAY. Well, isn't it a fact that very few of the corporations expend the amount that they are allowed to deduct for those purposes?

General WOOD. I wouldn't say that, Senator. I have not studied it. I know in our own case we have been spending for 3 years considerably in excess of our depreciation.

I can give you the exact figures. We are allowed $4,800,000. That is the depreciation allowance that the Government allows us, and we spent this year $13,000,000.

Senator MURRAY. But you have made no study of corporations generally, with reference to their practices?

General WOOD. I couldn't give it to you for others.

Senator MURRAY. Some economists have made a study of 26 of the large corporations, as I understand it, and they find, in a great many instances, that they do not spend the amount they are allowed for these items, and there would be nothing to indicate that even with the repeal of the capital-gains tax that they would spend any more.

General WOOD. Mind you, Senator, I do not believe in the repeal of that tax. I think there are a great many abuses, where a corporation pays no dividends and uses all the profits.

All I believe in is a modification to the extent of giving a small percentage of exemption, and I also do not believe that the amount—I think, in the present conditions, where we are spending as much money as we are, that the total taxes cannot be reduced at the present time. In advocating a modification, I am not trying to get my taxes reduced.

UNDISTRIBUTED PROFITS TAX

Senator MURRAY. And your attitude toward the undistributed-profits tax is that that should be modified only to the extent of assisting small corporations?

General WOOD. I think the big corporations should have an exemption of about 20 percent that should be free of the undistributed-profits tax, and if that results in a loss to the Treasury raise the normal rate so that the corporation pays the same.

Senator MURRAY. Well, the history of these large corporations has been that they have allowed that to accumulate in their treasuries and do not pay it out in dividends. Isn't that true?

General WOOD. In some; yes.

Senator MURRAY. And they accumulate tremendous reserves.

General WOOD. Yes; but there is a great difference in what they can accumulate. Some of them accumulated 100 percent but where they are only allowed to accumulate 20 percent, that would be a different thing.

Senator MURRAY. Isn't it true that all during the depression many large corporations had huge reserves in their treasuries that they did not attempt to spend?

General WOOD. I think so.

Senator MURRAY. You say that agricultural buying is keeping up during the present depression?

General WOOD. So far.

Senator MURRAY. Do you know of anything that would cause that to subside during the immediate future?

General WOOD. I do not see anything now, until the next crop comes in, and then, if the crops are fair and prices stay where they are, I don't see why it should drop off then, but if we should have a drop in the crop, if cotton and wheat and hogs go down, why, that, of course, cuts purchasing power.

Senator MURRAY. That is all.

Senator DAVIS. Did I understand, General, that Sears, Roebuck purchase their goods from 6,000 corporations?

General WOOD. 6,000 manufacturers.

Senator DAVIS. 6,000 manufacturers.

General WOOD. A great many ——

Senator DAVIS. Does Sears, Roebuck own any part of those corporations?

General WOOD. We own a few factories of our own, and we have interests in a few, about 10 altogether, though they represent about 7 percent of what we sell. We buy from the outside 93 percent of what we sell, and those are mostly small manufacturers.

The CHAIRMAN. General, did you state that you thought that the capital-gains tax was also a factor in this investment situation?

General WOOD. Well, Senator, I will confess I have never studied that capital-gains tax, and I don't know much about it, but I said a modification of it might help. In that I am not giving my own——

The CHAIRMAN. Then, so far as the Congress is concerned, you say if they could modify the tax on surplus, what else could Congress do?

General WOOD. I think they could pass this housing bill, which could be of some help.

The CHAIRMAN. And if that be all, wouldn't you say that if it is ever possible for Government, labor, and capital to sit down in one room and cooperate with each other, we would get out of the present recession?

General WOOD. I think so. I don't think there was ever a time when all parties should cease hating each other and get together as the present.

Senator MURRAY. General Wood, was there anything in the conditions of the country that caused you to believe that this recession was going to come?

General WOOD. I was as badly fooled as anybody. In the summer I felt it was going to be good, that business was going to be good, that commodity prices were going to hold up, and I went up to British Columbia and was away for 6 weeks, out of the world, and when I got back I found I was 100 percent wrong.

The CHAIRMAN. So, in your opinion, all conditions in this country seemed to justify the continuation of the prosperous conditions that had developed, and there is no reason why, now, there should not be a resumption of good busines in the near future?

General WOOD. I cannot see it. I think there is no reason why there should be any long-continued or serious depression. I did not realize how inventories had gotten out of hand. It has taken some time to work them off, and they are pretty well worked off.

SEARS, ROEBUCK DECENTRALIZATION PLANS

The CHAIRMAN. Has Sears, Roebuck a policy of endeavoring to decentralize its business?

General WOOD. Yes, sir.

The CHAIRMAN. Is the theory that so far as possible you wish to return to a section the money that your organization derives from that section by its decentralization?

General WOOD. Yes. In fact, originally, in the mail-order business, it was all handled, practically, from one plant, in Chicago, that did over $200,000,000, back in 1919. Now that plant does $40,000,000 and we have transferred that business to Memphis, Atlanta, in the South; to Minneapolis, Kansas City, in the Middle West; Los Angeles on the coast. We have followed the policy of decentralizing all through.

The CHAIRMAN. And that, of course, necessitated large investments in these various sections?

General WOOD. We have put out, since 1925, over $100,000,000 in mail-order plants and stores in these different parts of the country.

The sales of Sears, Roebuck & Co. are a pretty good index of the purchasing power of the masses of the United States. Through the catalog it serves the farmers and small communities of the United States; through its 500 retail stores located in the large, middle-sized, and smaller cities, it serves the industrial wage earner.

For the first half of 1937 its catalog sales showed an increase of approximately 5 percent; for the second half of the year it will show a decrease of approximately 2 percent. This decline began in July and has been intermittent. For the month of December, the rural sales were off only 1.3 percent.

Rural purchasing power has been well maintained on the Pacific coast and in the wheat growing sections, and fairly well maintained in the Corn Belt, but it showed a marked decline in the cotton sections of the Southeast this fall and has fallen off in the rural sections of the New England and Middle Atlantic States.

Sales in the cities in the industrial sections have been well maintained until the month of November. They are now falling off very rapidly in New England, in the industrial sections of the Middle Atlantic States, and in the cities in which the automobile industry or its accessories are located. Our stores in Detroit are showing approximately a 25 percent decrease. However, on the Pacific coast, in the Texas cities, and in the towns and cities of the Middle West the stores are still showing substantial increases so that the net decline in all stores in the country in the month of December was not over 5 percent.

As far as the question of distribution is concerned, in which my firm is concerned, the recession is as yet relatively mild, but in production it is exceedingly severe, particularly in those industries producing capital goods. The production index of the United States has dropped at a very rapid rate for the past 4 months. The index of commodity prices of all commodities has dropped almost 10 percent in the last 4 months and the index of farm prices has dropped about 18 percent in the last 5 months.

In the summer, I felt we were still on a broad, upward movement, that sales for the fall would be good, and that commodity prices would hold. I believe the majority of businessmen shared that opinion in the early summer. We were wrong, however, as there was a very sharp decline in commodity prices and sales, instead of showing an increase, began to show a decrease.

I cannot subscribe to the opinion that selling prices got too high for consumer purchasing power or that there is or has been any real evidence of a widespread consumer strike. Our fall catalog prices showed approximately a 5-percent increase over those in the spring catalog and a 7-percent increase over those in the fall (1936) catalog. In general, however, those prices were still considerably below the level of the prices that prevailed in 1924, 1925, 1926, and 1927. There is, however, no question that in the field of building construction the prices of materials used in the construction of residences went up very rapidly. This rise in material prices, combined with a rise in building wages in the larger cities, resulted in the curtailment and, in many cases, in the actual stoppage of residential construction by late fall.

RISE OF INVENTORIES

Inventories did rise very rapidly. There were two principal reasons for this rise:

1. The rapid rise of commodity prices in the fall and winter of 1936 and the early spring of 1937 caused extremely heavy commitments on the part of merchants for finished goods and on the part of manufacturers for raw material. These goods in general were not contracted for at the high prices but were purchased before prices

reached anything like their peak. Moreover, the goods sold to the consumer this fall were in most cases passed on to the consumer on the basis of prices not over 10 percent above the prices of the fall of 1936.

2. The other potent causes of excessive inventories were the strikes, rumors of strikes, and general labor unrest, through the spring and early summer of this year. My own firm took in $30,000,000 worth of goods from manufacturers from 2 to 6 months ahead of the ordinary time of delivery because manufacturers advised us that unless we took in the goods we were liable not to get them. Almost all of them anticipated strikes and labor trouble. Some had their fears realized, though the majority did not. I think our experience was typical of that of most merchants. The result was that merchants started in the fall season with heavy stocks of goods. The stock market decline started in August, coupled with a general feeling of fear and unrest. Consumer purchasing power began to decline rapidly, anticipated increases in sales did not develop, the process was reversed and merchants and manufacturers stopped buying and began to liquidate their inventories. This resulted in a stoppage of production and resulting unemployment.

I anticipate that this phase is pretty nearly completed. I have no information as to the stocks of goods in the hands of merchants or of the stock of finished goods or of raw materials in the hands of manufacturers, but I would hazard the opinion that by February 1 stocks in the hands of merchants would be on a normal basis and that raw materials in the hands of manufacturers would be pretty well liquidated by March or April 1. That would mean that in the field of consumer goods production will be resumed on a normal scale some time in March or April. The resumption of production of consumer goods alone, while it will help unemployment, will not of itself carry the country. There must be some movement in capital goods—the railroads, the utilities, and building construction. If the railroads can resume the buying of equipment, if utilities can begin their capital expenditures, and if residential construction gets under way, there ought to be a very rapid decrease of unemployment in the latter part of the spring.

CAUSES OF DEFLATIONARY PSYCHOLOGY

I believe the monetary factor has had an important influence in causing the depression, that the two raises in reserve rates and the sterilization of the gold have caused a deflationary psychology. I was opposed to the second raise in bank reserves and I was also opposed to the sterilization of the gold. While I doubt today whether a change in the reserve rate would do any particular good, I do believe that we ought to desterilize the gold. I think these steps have had some influence on commodity price levels. I do not think the Federal Reserve Board in thinking of the present situation as nonmonetary in all its causes, is correct. I think the monetary factor deserves much more study than it ordinarily receives.

Government spending for relief and public works has in the past few years helped to maintain consumer purchasing power and has helped the priming of the pump of business. The curtailment of Government spending, which began this spring and summer, has been a factor in the recession. As I understand the policies of the administration, Gov-

ernment spending was legitimate and necessary when private credit broke down as it did in 1932 and 1933, and had to be continued until recovery was well under way. At that time private capital is supposed to take up the load and replace Government spending. At this point is where the impasse occurs. Private capital, for a number of reasons, has lacked the necessary confidence to make long-term capital investments. The causes of this lack of confidence are probably known to all of you gentlemen. While the President in his recent speech has tried to reassure capital, three recent talks by two members of the administration are not calculated to give private capital that confidence. Either the Government will have to continue its spending indefinitely—which would be disastrous—or private capital must be given confidence and encouragement to proceed

TAX FACTORS

The taxation matter is important, though by itself it will neither cause nor cure a recession or a depression. I think certain modifications of the undistributed-profits tax and of the capital-gains tax would be very helpful. The truth is that today, whether we like it or not, business, politics, and government are so interdependent, not alone in this country but in the whole world, that the course of recovery is greatly dependent on government policies. There are certain favorable factors: There has been no great credit or debt extension. The inventory situation is almost liquidated and should produce in the form of consumer goods some activity in the next 60 or 90 days. The social security laws, which became effective in 22 States on January 1, will help to sustain purchasing power for the unemployed, at least in those 22 States. While I do not think at the present time we can reduce taxation, we can correct some of the inequalities and help the situation. I believe this is a time when all classes of economic producers—industry, agriculture, and labor—should cooperate so that confidence can be restored and long-range investment begin. If it does, then we can start on our upward way again.

1938 "X" flyer price comparison with 1937 "X" flyer and 1937 fall general

	1938 "X" over 1937 "X"	1938 "X" over 1937 fall
Cotton	−$2.35	−$19.48
Cotton (fabricated)	−2.05	−14.41
Wool (fabricated)	−1.04	−13.19
Silk	−.58	−15.56
Rayon	−2.49	−16.69
Linen	4.00	−10.72
Leather	4.08	−10.26
Rubber	−1.09	−8.48
Rubber (tires and tubes)	10.66	−10.43
Iron and steel	2.32	−11.31
Enamelware	.97	−12.44
Electric appliances	3.52	−11.66
Floor coverings	−5.42	−16.91
Furniture	2.23	−15.68
Houseware	−3.62	−13.57
Paints	2.97	−19.73
Jewelry	−10.69	−17.62
Drugs	3.38	−14.08
Books and office supplies	−1.45	−14.00
Musical instruments and sundries	(1)	−11.25
Sporting goods	.45	−12.43
General average	.10	−12.74

[1] No comparison.

The CHAIRMAN. All right, General; that is all.

STATEMENT OF WILLIAM GREEN, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR

The CHAIRMAN. Mr. Green, you are the president of the American Federation of Labor?

Mr. GREEN. Yes, sir.

The CHAIRMAN. How long have you been president of the American Federation of Labor?

Mr. GREEN. About 13 years.

The CHAIRMAN. The American Federation of Labor endeavors to keep current information as to employment throughout the Nation, does it not?

Mr. GREEN. Yes.

The CHAIRMAN. How long have you been gathering these statistics?

Mr. GREEN. Since about 1928 or 1929.

The CHAIRMAN. Is that information gathered solely as to the members of the Federation or is it gathered generally?

Mr. GREEN. That information is gathered from our subordinate unions located in the towns and cities throughout the country, and then, through a mathematical process, we arrive at definite conclusions as to the number of unemployed and the number employed.

The CHAIRMAN. You have been advised of the purpose of the investigation being conducted by the committee. I note that you have in your hand a statement. Have you a prepared statement?

Mr. GREEN. Yes.

The CHAIRMAN. I think, Mr. Green, it would be well for you to first read that statement. In the statement you may answer many questions that we, otherwise, might ask you.

Mr. GREEN. I will be pleased to do that.

The CHAIRMAN. All right; please proceed to read it.

Mr. GREEN. Yes, sir.

Mr. Chairman, the economic situation the country is facing today calls for action—prompt, immediate, and effective. Since March 1933, when the cumulative forces of the last depression delivered their final and most crushing blow to our productive system, the country has not turned to Congress with greater expectation of true statesmanship and ability to act promptly than it does today.

RECESSION OF 1937

The present business and industrial slump was anticipated by few, largely because it arrived long before industry generally had attained anything like the levels of normal production, "normal" in terms of adequately supplying the needs of our growing population. The precipitous decline in production which began last summer hit suddenly and cut deeply.

Just what was it that happened last summer to bring us so quickly face to face with the critical conditions of today?

I think it is fair to say that in the complex interplay of forces which have contributed to this abrupt decline, the largest single factor was the increasingly speculative character of the gains in business activity in the first half of 1937. From the fall of 1936 to the

spring of 1937, business activity abandoned the solid track of the current effective consumer demand and entered upon the hazardous path of increased production to satisfy the essentially speculative demand to lay in large stocks and inventories in anticipation of rising prices and costs. Even in the consumer goods industries, production during this period was clearly in excess of the retail market sales.

In the heavy industries, large increases in production volume were also registered. Orders for machine replacements were issued in anticipation of added increases in prices. Orders for machine tools rose to record levels—the index jumping from 86 in 1935 to 156 in the last half of 1936 and 283 in April 1937. Orders for locomotives jumped from 7 per month in 1935 to 344 a month in the first half of 1937. Freight car loadings rose from less than 4,000 per month in 1935 to over 44,000 a month in the spring of 1937. Steel mills increased operations from 49 percent of capacity in 1935 to 91 percent in April 1937. Concurrently with these rapid increases in production, from October 1936, to April 1937, there registered a sharp rise in wholesale prices of manufactured goods.

TREND OF PROFITS

Throughout this period, it was evident that feverish profit-taking was taking place with the dividends paid out by corporations entirely out of proportion to current corporation earnings. Also the profits reported by industrial corporations continued their upward trend throughout this period. Equally significant was the fact that stock prices maintained a practically uninterrupted advance from April 1935 to March 1937. It is generally agreed that throughout this period the advance in stock prices was largely speculative, exceeding the levels justifiable by dividends declared and making advances even more disproportionate with reference to actual corporate earnings.

From last March on, the stock market was beginning to show signs of readjustment and unsettlement. Along with other factors, the stock market conditions brought to the fore the gradual reversal of the entire price trend. Although booked orders began to slacken as far back as last March in both producer and consumer goods industries, factories and mills continued to operate at a high rate of activity clearing up the backlog of previously piled-up orders. When by August, these accumulated orders were filled by manufacturers and new orders failed to appear in the expected volume, business activity was sharply curtailed all the way along the line.

The early readjustments last spring were sufficient to halt the major portion of advance buying which had been based on the anticipation of further price rises. This inflationary tendency was superseded by the determination on the part of business to wait until the downward adjustment has run its course.

HIGH PRICES NOT CAUSED BY HIGH WAGES

Persistent statements have been made that the rapid rises in prices and costs between the fall of 1936 and the spring of 1937 were caused by disproportionate increases in wages. There is unanswerable evidence in the economic annals of the past 2 years proving that high prices cannot be charged to high wages. We know, for example, that, during this period, after the wage increases had been granted, the margin of profit of the manufacturers continued to be extremely high.

We also know that between September 1936 and July 1937, while the increase in costs due to wage raises alone did not average more than 2.5 percent, the price increases averaged 8.4 percent. Specifically, in cotton goods, production costs rose 3.7 percent due to wage increases in the year ending April 1937, but the prices went to 25 percent above the previous year. Similarly, in automobiles, wage increases raised production costs 2.7 percent in the year ending September 1937, but price increases on the new models have averaged 9.4 percent.

In other words, the widespread claims that increased costs and the consequently increased prices were caused originally by no other factor but wage increases, are nothing short of deliberate propaganda for the obvious purpose of intimidating the workers into the acceptance of drastic wage reductions. But those who resort to such methods of exerting psychological pressure in order to secure wage cuts for the sake of the immediate gain lose sight of the fact that it is the maintenance of these high wages that provides the broader basis, and in fact the only basis, on which recovery can be reestablished.

UNEMPLOYMENT

What effect did this curtailment of industrial production and business activity have upon the employment of our workers?

The increase in unemployment this fall has been comparable with the worst increases of the depression. Trade-union unemployment reports for the period from September to December 1937 show 5 percent of our membership thrown out of work in 3 months, an increase in unemployment comparable only to the lay-offs following the stock market crash in 1929, when from September to December, as in 1937, unemployment of union members increased by 5 percent. This year union unemployment increased from 12 to 17 percent of the membership; in 1929, this increase was from 11 to 16 percent.

Our estimates of total employ ment and unemployment in the United States also show that the loss of jobs this fall has been equalled only in the worst years of depression. Farm laborers are included in these figures, and the large increases in unemployment in the early years of depression were due in part to lay-offs of farm workers. The accompanying table shows that the increase in total unemployment from September to December 1937 was exceeded only in 1929 and 1931, and was almost equalled in 1930. The number laid off from September to December this year was approximately 1,770,000, while in 1929 and 1931 lay-offs affected about 1,850,000.

The large lay-offs this fall are particularly striking not only because of their size but because they reverse the normal seasonal trend. From 1934 through 1936, employment has increased each year from September to December, due in large part to the advance in automobile production schedules and the growth of Christmas trade. This year, even the year-end busy season was overwhelmed by the downward plunge of business recession.

Employment change from September to December each year, 1929 to 1937

1929	−1, 839, 000	1934	+220, 000
1930	−1, 690, 000	1935	+163, 000
1931	−1, 879, 000	1936	+377, 000
1932	−624, 000	1937 (estimated)	[1]−1, 770, 000
1933	−753, 000		

[1] December 1937 from B. L. S. estimate, with American Federation of Labor estimate for farm employment based on past years.

One bright fact stands out in the gloomy picture of lay-offs, and shrinking production schedules. Workers' buying power has been held at higher levels than in any previous recession, because of the wage increases this spring. We have records from Government sources covering more than half of American nonfarm employment. These records show that, when November 1937 is compared with November 1936 although employment this fall was below last fall by about 20,000, pay rolls were 3.4 percent higher. The wage gains of 1937 have held buying power at a level 53½ million dollars above 1936 in the month of November.

This is a small but important bulwark against business decline. Nothing is more important at the present time than buying power. This 50 million dollars' worth of workers' income has of course been since offset by further increases in unemployment. Immediate increases in W. P. A. work and other employment are imperative in order to lift business out of decline.

A word about our method of estimating unemployment and buying power. Our trade union figures are collected from 2,300 unions with a membership of more than 1,000,000 located in 24 representative cities. They report to the federation each month the number of their members employed full time, part time, and unemployed.

Our unemployment estimate is based on the unemployment census of 1930 brought up to date by Government employment figures. We calculate the increase in the working population from figures of the Scripps Foundation for Research in Population Problems, adjusted for the increasing number of young people enrolled in high schools and colleges. Labor Department employment indexes are used for the industries covered by them, Interstate Commerce Commission figures are used for railroads, Commerce Department figures—from national income estimates—for the other nonfarm industries, and United States Department of Agriculture figures for farm employment.

Our buying power figures are calculated from Labor Department indexes for manufacturing, mining, trade, utilities and three service industries, and Interstate Commerce Commission figures for railroads. These are combined to give a total figure for all recorded industries.

The accompanying table gives our unemployment estimates from January 1935 forward. Our estimate for November 1937 was 8,477,000. The unemployment census of November 1937 showed the number unemployed to be between 7,822,912 and 10,870,000. Unemployment report cards were handed in by 7,822,912, but a house to house canvass in selected areas showed returns to be only 72 percent complete. Judged by these findings, the Federation estimate appears to be quite conservative.

REMEDIES

As I said at the outset, unless effective measures are promptly taken, we are faced with a real threat of the current recession developing into another and more serious chronic business depression. what are the remedies immediately available to us?

(1) *Shortening of hours.*—The unemployment situation just discussed presents a gloomy and discouraging picture. It strikes a final and unbearably cruel blow at the men and women who have barely had a chance during the brief period of increased economic activity

to liquidate the deficits run up in the years of the last depression from the incomes secured out of their meager earnings. It is an even worse blow to those who have not had the opportunity of obtaining reemployment provided by our private industry in the course of its normal operation.

Part of the current unemployment is unquestionably due to the increased productivity resulting from technological changes. We still hear persistent discussion of bringing industrial activity back to normalcy invariably based on comparisons with the so-called normal year of 1929. In considering such statements, we must bear in mind two fundamental facts: First, that since 1929 the number of wage earners seeking employment has increased by nearly 5 million; and, second, that the technological changes and the resulting increases in productivity have made it possible to produce the same volume of goods with a considerably smaller labor force. During the 8 years since the beginning of the last depression, we have failed to apply any remedy sufficiently effective to halt the rise in unemployment. We have now accumulated an additional force of job seekers, some 5 million in strength whom industry must absorb.

In dealing with employment in the depression and the possibilities of a return to even 1929 conditions, Prof. J. M. Clark of Columbia University in his notable study made the following significant statement:

> Improvements have been made since 1929, enabling a given output to be produced with less labor, and many more probably stand ready for introduction when confidence revives sufficiently and when the condition of the capital market makes it possible to raise the necessary funds. Thus, unless there is a shortening of hours in industry . . . there may be a considerable amount of unemployment even after the current revival has gone as far as it can.

Labor maintains that the shortening of hours of work in industry is an essential prerequisite to the reduction of unemployment. Legislative action to make effective this shortening of hours should be Item No. 1 on the agenda of this Congress.

(2) *Maintenance of wages.*—I have also pointed out the importance of continued expansion of buying power to reestablish recovery. Our best means of providing reemployment and business revival is through sustaining the purchasing power of the vast mass of the American wage earners. Drastic technological changes which have taken place have resulted in greater productivity per man per hour in all of our major industries. New strip mills currently installed by steel manufacturers call for 25 workers in their operation where more than 100 had been previously required. Labor-saving machinery of similar kind has been installed and is being installed in many other manufacturing plants. When this is the case, even with the maintenance of the present wage rates, labor costs will be drastically reduced. We cannot permit the workers to make a double contribution to the machine production in the form of both wage cuts and unemployment. If the volume of production resulting from the installation of new machinery is to be absorbed by the consuming public, the purchasing power of the mass of the workers must be sustained. Otherwise these technological improvements will lead us to economic disaster instead of economic and industrial progress.

(3) *Public works.*—If the present recession is to be reversed, it is imperative that a variegated program of public works be continued,

not on a diminished but on an extended scale. That seems to me to be inevitable. Steps must be taken to revitalize our public works program and to approach the construction of public works in terms of a carefully developed long term program. Such a program should budget and estimate in advance our needs for public works projects so that complete plans would be available and projects developed at least 3 years in advance of normal construction schedules. In this way, it would become possible to build projects of the type for which the need is greatest; to build projects which would definitely add to our national wealth and which would fit into a general plan of development of our national resources to the utmost advantage; and last but equally important, to build projects at the time when heavy construction on a broad scale would help stabilize the construction industry, prevent stagnation of building materials industries and avert stoppages in building trades employment.

My recommendation for carefully planning in advance and carrying out at the time of the greatest need a sound public-works program is not an offhand recommendation made merely to avert the emergency situation which has arisen. It is a proposal backed by a stand which has been taken by organized labor for 17 years. Long-range planning of public works was urged by the American Federation of Labor as long ago as 1921. It was then offered as a major weapon against unemployment and depression. But then our plea went unheeded, and in the following years when we began to move back to normalcy it was forgotten. In 1923–25, when building construction was at its peak, labor renewed its plea for the creation of a committee to study the problem. Our objective at that time was not to relieve unemployment, but to defer the building of public construction projects until the time when unemployment would exist in the building industry. That appeal gained a great deal of public attention at the time because it demonstrated that the primary interest of the building mechanics was in steady employment and stable wages rather than high peaks and deep depressions.

In 1928 Senator Wagner, of New York, introduced his first bill providing for a permanent long-range public-works program. That was done, you will remember, at the peak of prosperity, the time when the planning of such a program could be most effectively executed. But no action whatever was taken until February 1931, when Senator Wagner finally succeeded in securing the enactment of the Employment Stabilization Act of 1931. Although that act is the law of the land, it has not been put into operation. It is important to refer to it today because the Employment Stabilization Act of 1931 contemplated the existence of a permanent Federal agency adequately equipped to promote and assist a sizable public-works program when and where the construction of public projects is needed on a large scale.

Since 1933 the Emergency Administration of Public Works, under the able guidance of Harold L. Ickes, has carried out with outstanding merit the vitally important task of public-works construction. Everyone is familiar with the notable record of P. W. A. in the past 4 years. That record speaks for itself. But during the past year this program has been gradually curtailed. No new projects have been authorized. It is my conviction that the curtailment of the public-works program at this time would help deepen the already acute crisis in the construc-

tion industry. I also feel that the continuation of the public-works program cannot fail to have a stabilizing influence on the construction industry generally and on the building employment particularly. But I think it is equally important that at this time we give full recognition to the pressing need for long-range planning of public works on a permanent basis by a permanent agency which with calm judgment and cold facts would be equipped to deal with the emergency situations when they arise in the future.

Let me quote from the memorable address made by Secretary Ickes 2 years ago, which is very appropriate:

> * * * there is practically no limit to the worth-while physical improvements that can be made in this country. But * * * any program of public works should be carefully planned in advance. It should be free from politics. It should be grounded firmly upon the principle of the greatest good of the greatest number of the people. I hope that we will never go through another depression, especially such a one as that from which, as I trust, we are now emerging. But there have been depressions, many of them, in the past, and there may be others in the future to bring us to our knees for our economic sins.
>
> My own belief is that if we return to the old happy-go-lucky system of laissez faire we may at least hope that there is wise enough statesmanship and sufficient general intelligence in this country to profit by the experience of the recent past so that we will be prepared to meet them wisely unless we have fully prepared blueprints for a comprehensive and far-flung program of useful public works. Nor will we meet them with courage unless we are prepared to spend sums of money adequate to the need. We may not always be able to prevent fires, but at least we can keep them from spreading if we have trained and experienced firemen, up-to-date equipment, and a ready and sufficient supply of water.

(4) *Expansion of public housing and slum clearance.*—Another front upon which an intensive attack must be made against economic stagnation is housing. The most acute need for new housing today is experienced by that third of our population which we designate by a broad term of "low-income group", including families of the total annual income of $1,500 or less. Quite generally, these families live in substandard houses and a large portion of them live in slums or dwellings that are far below every acceptable standard of shelter compatible with decent living.

As a general rule, adequate housing for this group of our population cannot be supplied by private enterprise without outside aid. In view of this and as a modest beginning, a program was enacted at the end of the last regular session of Congress to provide low-rent housing for wage earners and to effect the elimination of slums, in the form of the United States Housing Act of 1937.

In accordance with that act, the United States Housing Authority was created a short time ago and has just begun the difficult and important task of making this plan effective. I firmly believe that the work of the Housing Authority marks the beginning of one of the most important phases of our broad task of improving the social and economic conditions of the American people. Here again, the success of the program depends on the acceptance of the fundamental principle that we must build not only for today but also for the future. An investment of public funds in a housing program which would provide well designed and soundly built homes for workers, their families and their children, is the best investment that can be made. But it would be a grave error to jeopardize that investment by foisting upon our communities and upon the workers themselves carelessly planned and hastily built housing projects whose sole purpose would be to provide construction in the day of emergency. Federal aid for

this housing is provided in such a form that every cent of the public funds is to be eventually repaid to the Government. It would be a fatal mistake to sacrifice the quality of the construction and the soundness of the long-term plan for the immediate volume. We must make sure that the houses built with the Federal aid will continue to serve their purpose for many years after the Federal assistance is completely repaid.

This important program, however, is now threatened with delay not because of the inability of the Government to formulate these plans and of the local housing agencies to carry them out, but because of the statutory requirement that the local housing agencies must as a most universal rule, raise locally at least 10 percent of the original development cost of each project.

The program has been wisely placed on a decentralized basis. The responsibility for the construction of low-rent housing is placed squarely on the local community. Despite sincere efforts made by local communities, a large number of them are confronted with the insurmountable difficulty of raising immediately the necessary 10 percent of the development costs. This presents a very real obstacle which is bound to delay the public-housing program at the time when its immediate development together with the other phases of home building is essential to revive and extend economic recovery.

I am informed that Senator Wagner has proposed to remove this obstacle by drastically reducing the requirement for 10 percent local participation in the cost of public housing. I am also told that he will shortly introduce an amendment to the act to carry out this purpose. In my opinion, this is a very important amendment—one which should receive the immediate attention of Congress as soon as it is introduced. By waiving entirely the requirement for local participation during the first few years, the public-housing program would make it possible in a large number of communities to begin building without delay and to make the program a reality at the time when the need is greatest.

The present public-housing and slum-clearance program is being started in the face of the most acute housing shortage this country ever experienced. Housing construction was one of the heaviest contributors to the national income in the 1925–29 period. In 1925, we built 894,000 nonfarm family dwelling units in the United States, yet by 1934, construction of housing dropped to 59,000 units, remaining at an extremely low level since the beginning of the last depression. With growing population, there has developed an immediate need for building several million dwelling units for families in low-income groups. Yet the United States Housing Act provides an appropriation of only $500,000,000 for the construction of low-rent housing in the next 3 years. With this amount, we can barely make a dent in the existing housing shortage. It is my firm belief that the universal popular acceptance of the principles of the public-housing and slum-clearance program is in itself sufficient justification for me to recommend the immediate appropriation of additional funds to make at least 1 billion dollars available to the United States Housing Authority to begin at once the construction of low-rent homes and rehousing of slum dwellers on an adequate scale.

(5) *Stimulation of private home building.*—So vast and pressing is the need for housing construction at the present time that it seems to

me important and necessary to make additional provision for stimulating private home building.

The amendments to the National Housing Act of 1934 passed by both Houses of Congress at the close of the special session will considerably aid the expansion of home construction. But although these amendments go a long way to liberalize the terms of Federal guaranty on home mortgages, it is doubtful that under the present circumstances the program will fully justify its present expectations.

One of the fundamental obstacles to the revival of home building throughout the country is the heavy burden of local taxation which the home owner must bear. In view of this, it seems to me imperative to take additional means of making home ownership available without delay to people of moderate means. The best way to accomplish this would be through a program which would make possible, for a limited period of time, tax exemptions or tax remissions by local governments on all real property involved in home ownership. To make this possible, Federal funds should be made available to municipalities in the form of subsidies to encourage such tax exemptions. I believe that a program of this kind, if carefully developed, would go a long way to give the initial start to home construction whose revival we cannot otherwise bring about on an adequate scale.

I am not exactly clear as to the details of a plan of that kind, but I am convinced that if the home builder could be assured that he would be tax exempt for a period of 3 or 4 or 5 years, it would have a most stimulating effect in the development of private construction.

Now, then, I know that it would be almost impossible to prevail upon the local taxing authorities to grant tax exemption. It occurred to me that some plan might be worked out by which the Federal Government could subsidize private home building, partially, at least, to that extent.

The CHAIRMAN. Mr. Green, I would not interrupt you if you had not departed from your manuscript, but in that connection, would it not be well to consider this, that statistics will show that the municipalities of the country today are in a much better financial condition that the Federal Government? The municipalities, fortunately, during the last few years, have been able to reduce their debt in many instances, and that has been made possible, of course, by the activities of the Federal Government during the last few years doing things, such as public works, that, ordinarily, would have been done by them. I think it would involve the question of how we could subsidize the municipalities to enable them, in turn, to remit taxes. I agree with you that the tax question is a very important problem.

Mr. GREEN. It is tremendously important, so far as stimulating the building industry is concerned.

Senator MURRAY. To accomplish that it would be necessary, in a great many States, to have amendments to the constitutional provisions, because in most States the States provide that the taxes must be at a uniform rate.

Mr. GREEN. In order to get that immediately, because I know the slow process of obtaining a constitutional amendment, I had in mind that the Federal Government could subsidize, in some practical way, so as to meet the tax requirements of the municipalities. That is the only way that I see that they could do it.

The CHAIRMAN. It would amount to paying to the municipalities the taxes of the individual who is building the home?

Mr. GREEN. Building a home, say, a $3,000 home.

The CHAIRMAN. But the Federal Government paying the taxes to the municipality?

Mr. GREEN. To the municipality for a limited period until the man got his home owned, and got on his feet. I think it is an idea worth considering, at least.

The CHAIRMAN. All right.

Mr. GREEN. Now, Social Security:

(6) *Social Security.*—Establishment of Federal law to promote and encourage State laws establishing unemployment compensation laws represents acceptance of the fact that unemployment is an unavoidable result of our industrial organization and that permanent provisions to aid those who lose their jobs is their right. The causes of unemployment are varied and interrelated and the individual worker, firm, industry, or nation alone cannot control or prevent unemployment. Industries and workers may pass through periods of immunity from the hazards of unemployment but at some time decline will inevitably overtake them.

To be without a job is to be without a source of income. Without income one cannot buy the necessities of life. So that workers, due to no fault of their own, shall not be without income, unemployment compensation provides a means of subsistence between jobs. Society owes this security to those who carry on its industries. About 60 percent of all workers will be covered by unemployment compensation laws enacted by the 51 jurisdictions within our Federal Government. Agricultural workers, those in domestic service and many employees of small firms are excluded from this security. Extension of coverage to all employed in insured industries in those States which now cover only larger units is a basic step to make our national unemployment provisions adequate. Amendment of the Federal act which covers employers of eight or more, would induce amendments of State unemployment compensation laws.

Unemployment compensation is the right of the unemployed worker who complies with the requirements of his State law. But we well know that unemployment funds dependent upon contributions as prescribed at present could not weather unemployment of the extent of the recent world-wide depression. Unless augmented by Federal grants, aid for the unemployed would be exhausted by emergency situations. Workers, merely because they were denied opportunity to earn a living through no fault of theirs, would be compelled to seek relief with the degradations of the means test—unless employment on public works without means tests was available to all who applied.

I believe that in times of economic emergency the Social Security Board should be authorized to declare an emergency and extend unemployment benefits for a period perhaps half that of the standard benefit. Emergency benefits should be paid from Federal funds appropriated for that purpose. The economy and efficiency of administrative machinery, ready to function on the basis of existing records without additional expense, is obvious. An even greater advantage is the possibility of maintaining the working force of the country until the workers can get jobs on public works or private

industry without resort to the degrading and demoralizing methods of the means test. All that is needed is a second fund to which to charge extended benefits.

A necessary condition for the satisfactory functioning of this program is an efficient national system of employment offices adequate to afford access to existing jobs to all who need them. Such an employment office must be able to do placement work which would render satisfactory service to both workers and employers.

A second element is a retraining program directed by the employment office administrators. Unemployment usually develops a hard core of unemployable persons—people rendered unemployable by the demoralizing effects of inability to find places in the individual structure. Skill, if unused, rapidly deteriorates, especially with our rapid technical changes in production. Well directed retraining will rehabilitate workers with appreciable savings to society.

I wish to emphasize that specific limits should be fixed for extended benefits. Work is essential to physical and mental well-being. Any long-time emergency plans must provide employment on constructive projects.

That is what I wish to emphasize, the development of an extended public-works program, so that the unemployed may be given an opportunity to work and earn, rather than that they should be placed upon relief.

Our whole emergency relief program would be much simplified if our direct assistance provisions were adequate to take care of all over 60 or 65 unable to work or find jobs, and all dependent children with widowed mothers. The American Federation of Labor proposes the extension of the coverage of Federal old-age benefits to include agriculture workers, seamen and all industrial employees and that pensions of not less than $30 per month be paid. Some provision should be made also for self-employed persons. Federal subsidies would step up the time of payment considerably before 1942. Special grants to States with low average incomes would make possible wider provisions for dependent children with widowed mothers in those States not able to match Federal grants on the present basis.

Unemployment compensation cannot take care of the whole load. Relief must be provided for the indigent poor and the unfortunate. This is primarily a local function but in emergencies the Federal Government must aid.

Another considerable group is always increased during emergency unemployment—those incapacitated by disease, both chronic and acute. By extension of unemployment benefits to those kept from work by temporary illness, family integrity can be protected against the invasion of relief procedures, for a time at least. However, we must give serious consideration to making available adequate medical care for employed small-income families as well as the unemployed.

In general, then, to make the social-security program effective to the full measure of its potential, economic use to our society, the program should be expanded in several directions. We must broaden the scope of the program by providing a Nation-wide system of unemployment compensation; we must extend coverage in the payment of unemployment benefits; we must revise old-age benefits to provide for eligibility of groups now excluded and to make possible the payment of larger monthly benefits; we must extend the application of

the principle of social security by making available adequate medical care to the unemployed and to the families in low-income groups; we must strengthen the unemployment compensation program by integrating the administration of unemployment compensation and relief in a unified system where the administrative service providing security benefits, relief, placement and occupational retraining is centralized around the employment office; and finally, the present limitation of unemployment benefit payments should be further overcome by a provision for the payment of extended benefits for a limited time beyond the present period of payment of unemployment compensation.

(7) *Relief.*—Now, just a word on relief. The Federal relief program carried on by several agencies of the Government constituted the most important single contribution, not only to the recovery movement, but also to the rehabilitation of wage earners and their families stricken out of the active ranks of employment by the depression. The Federal Emergency Relief Administration, created in May, 1933, served to avert the threat of immediate starvation and complete destitution for a large portion of our population. In the initial period of its operation in 1933, some 18,000,000 American people were provided by the F. E. R. A. with the most important essentials of existence, such as food and clothing. This was followed by C. W. A., which provided temporary work relief for some 4,000,000 of the needy. The relief program was gradually reorganized in several specific phases so that from 1935 on, the various problems of rehabilitation were distributed between the Works Progress Administration, the Civilian Conservation Corps, the National Youth Administration, and the Resettlement Administration.

In the early part of 1935, when business recovery was rounding out its second year, there were approximately five and one-half million cases handled by the Emergency Relief program. In spite of the 2-year improvement in economic conditions the relief volume was such as to affect directly over 20 million of our people, or about one-sixth of our population. Since 1935 the load of the relief program has been carried by the W. P. A., which provided work relief to those in need. The peak of relief employment was reached by the end of February, 1936, when the total number of persons doing relief work was 3,836,000, with 3,035,000 employed on W. P. A. rolls.

Since that time, the number of persons employed by emergency agencies has been gradually reduced. A year ago this number was 2,893,000 and by the end of September 1937 it was further cut to 1,953,000—a reduction of nearly 2,000,000 since February 1936.

W. P. A. employment was gradually cut from 3,036,000 in February 1936, to 1,543,000 in September 1937. Thus we see that during this period, W. P. A. employment has been cut more than half. A small increase in W. P. A. employment has been possible since September so that such employment by January 1938 has been placed at 1,667,000. Under the present plans and within the present limitations of funds, it will not be possible to bring W. P. A. employment to more than 1,900,000 at any time this winter.

I earnestly urge your committee to recommend an increased emergency appropriation to provide extended work relief to the added volume of jobless workers. I feel certain that a relatively small increase in appropriation will provide jobs to the unemployed and tide them over until economic activity is sufficiently increased. This

temporary halt in our economic activity may be deepened to a dangerous extent unless employment on Federal projects sustains the purchasing power of those thrown back into the rank of the unemployed. At the same time, I believe that no decrease in the appropriation in the C. C. C. program should be permitted so that the country would not be deprived of this most important phase of social rehabilitation.

This is not the time to retrench our relief program, for any hesitancy on the part of the Federal Government in continuing its relief program on an extended basis in the immediate future may well endanger the recovery and ultimately wipe out the accomplishments of the past 4 years.

REMEDIES SUMMARIZED

Summary.—The critical situation we are now facing presents a real challenge to our Congress, to our Federal Government and to our entire Nation. The time has come when the country must resort without hesitation to legislative means of checking the recession and reestablish the recovery on a sounder and firmer basis. In undertaking any such measures, Congress must not lose sight of the great need—the need to look beyond the exigencies of today's emergencies so that we can build for long range economic and industrial stability in the future. I want to summarize in conclusion the remedies I have proposed—the remedies which must be applied in my judgment without delay in order to be fully effective. They are:

(1) Shortening of the hours of work through maximum hour regulation in industrial employment.

(2) Maintenance of existing wage standards.

(3) Continuation of the public works program on an extended scale and establishment of administration of public works on a permanent basis for the purpose of long-range planning to meet future emergencies.

(4) Extension of the public low-rent housing and slum clearance program by additional appropriation of funds and through the suspension of the present requirements for local contributions.

(5) Further stimulation of home construction by private enterprise through remission of local taxes for a limited period of time.

(6) Revision and broadening of the Social Security program: To provide for a Nation-wide system of unemployment compensation; to extend coverage in the payment of unemployment benefits and old-age benefits; to provide for payment of larger old-age benefits; to put in effect a system of extended benefits for a limited period beyond the present limit of employment benefit payments; and, to integrate the administration of unemployment compensation and relief.

(7) And last, resumption of the work-relief program on an extended scale during the immediate period of emergency with increased appropriation for that purpose.

The statement is a bit comprehensive, but it seems to me the subject is so important, and the problem is so pressing, that I could, with perfect propriety, cover it for the benefit of the record in this rather comprehensive way.

The CHAIRMAN. Mr. Green, due to the very comprehensive statement, in which you have expressed your views as to many of the matters that we, ordinarily, would have interrogated you about, I

have not very many questions to ask you, but looking at your summary, and, first, the shortening of hours of work through maximum hour regulation in industrial employment, what would you say about the effect of doing that and, at the same time, maintaining the existing wage standard, upon the costs of production; would it necessitate an increase in the prices of a commodity, and, if so, what effect would that have?

Mr. GREEN. It might result in that.

The CHAIRMAN. What is your view upon that?

Mr. GREEN. My view upon that is this, that, after all, the labor cost in production is, in most industries, not the main item of cost, and that increases in wages, or the maintenance of the wage standards, does not add very materially to the cost of production, although I am not in a position to say just now what it might be, because, many times, in most industries, these days, an increase in wages is offset through the introduction of more efficient methods, making the worker more efficient in the whole production enterprise. There may be some, but Senator, that would be offset by reason of the fact that you bring into the buying market a larger and an increasing number of consumers, who will buy freely, and use the goods which industry produces.

It is a strange thing about this whole price problem, one that it is most difficult for anyone to explain away, but the records of our Nation, the whole history of it, show that more houses have been built, and a greater volume of building construction carried on during a period when prices were at the peak than at any other time. Nobody can answer that.

The CHAIRMAN. You refer to building. Do you know, offhand, the average hourly wage of a bricklayer, or plasterer, or plumber, say in the District of Columbia here?

Mr. GREEN. I could not tell you what it is at the moment, but I think it is around a dollar or a dollar and a quarter an hour. I think plasterers get more than that; perhaps a dollar and a half or two dollars an hour.

The CHAIRMAN. What would you say as to the annual income of that plasterer or bricklayer?

Mr. GREEN. Well——

The CHAIRMAN. What does that amount to?

Mr. GREEN. An annual income is a most desirable plan and purpose, if we could only so balance our building construction program so as to make it possible.

The CHAIRMAN. Before we go into a plan, do you know approximately what the average income of a plasterer or bricklayer is, in the District of Columbia?

Mr. GREEN. No; my friend has said that the average for the country is 91 cents per hour.

The CHAIRMAN. For what? For the country?

Mr. GREEN. Yes; the average for the country is 91 cents per hour. I don't know what it is in the District of Columbia.

The CHAIRMAN. I was taking the District of Columbia.

Mr. GREEN. The District of Columbia?

The CHAIRMAN. Yes.

Mr. GREEN. I do not know what it is here.

The CHAIRMAN. You say you have no figures at this time as to the annual income?

Mr. GREEN. On the annual income?
The CHAIRMAN. Yes.
Mr. GREEN. No; but I will try to get them.
The CHAIRMAN. I wish you would—and put them in the record.
Mr. GREEN. Yes.
The CHAIRMAN. Of course, what is of interest to the bricklayer is his annual income.
Mr. GREEN. Yes.
The CHAIRMAN. In any discussion of this housing situation, therefore, and the part that wages will play in it, it boils down to whether or not there is any feasible and practical way of guaranteeing an annual income, does it not?
Mr. GREEN. Yes. That has been developed as a rather interesting public question.
The CHAIRMAN. According to the press you have had some conferences with the President about it.
Mr. GREEN. Yes.
The CHAIRMAN. And, I suppose, with others?
Mr. GREEN. Yes.

ANNUAL INCOME GUARANTEE VS. LOWER HOURLY WAGE

The CHAIRMAN. Have you been able to devise any plan whereby, in a practical way, the worker could be guaranteed an annual income, so that he would voluntarily agree to a lower hourly wage and, of course, with the assurance of an annual income?
Mr. GREEN. No; I have not any plan, much as I have thought about it, as to how it could be put into effect. I must confess—that is in the building construction industry.
The CHAIRMAN. You would be in favor of it if such a plan could be devised?
Mr. GREEN. If it could be devised it would be a very desirable thing.
The CHAIRMAN. That is the attitude of your organization?
Mr. GREEN. If we could find the mechanics of it. It seems right, in theory, but the trouble is you cannot find the mechanics.
The CHAIRMAN. You gave the figures for your pay roll for November. Have you got any figures yet for the pay rolls for the month of December, to show what change, if any, has taken place?
Mr. GREEN. For the month of December?
The CHAIRMAN. Yes.
Mr. GREEN. No; we have not compiled the figures for the month of December, as yet. However, we will have them available in a short time, and I will be glad to furnish those to you.
The CHAIRMAN. There has been some discussion along this line; the worker's income is based upon the number of hours, multiplied by the hourly rate; the number of hours of work he can get in a year, multiplied by the rate.
Mr. GREEN. Yes.
The CHAIRMAN. Has there been any evidence that the increase in the hourly wage rate has resulted in decreasing the number of hours that he was employed?
Mr. GREEN. The increase in the wage rate?
The CHAIRMAN. Yes.

Mr. GREEN. Decreasing the amount of hours?

The CHAIRMAN. Yes.

Mr. GREEN. There has been some decrease in the number of hours worked in—are you referring to the building mechanics?

The CHAIRMAN. Yes; take them first.

Mr. GREEN. Yes. There has been some decrease in the number of hours worked by building mechanics in some trades.

The CHAIRMAN. How about industry, generally, where the hourly wage has been increased; has it resulted in decreasing the number of hours and, thereby, lessening the worker's annual income?

Mr. GREEN. I do not think so.

The CHAIRMAN. If it has occurred you do not think that it is due to that?

Mr. GREEN. No. If it has occurred, I am sure that it is not due to that.

The CHAIRMAN. You have been advocating, in No. 3 of your summary, a public works program. How would you finance it—by taxation, or further borrowing?

Mr. GREEN. I should think it ought to be financed by taxation.

The CHAIRMAN. Have you any suggession as to the method of taxation?

Mr. GREEN. None. I could not give any at the moment, Senator.

The CHAIRMAN. Of course, while you are making a comprehensive statement of the position of labor upon these questions, it is true that if it is possible to carry them out it would cost a tremendously large sum. You agree to that, do you not?

Mr. GREEN. I agree with you that it would add to the cost of Government, but it is an emergency. We cannot ignore it.

The CHAIRMAN. You have not been able to give thought to the question of how it could be financed?

Mr. GREEN. No. I have no suggestions to make on that.

The CHAIRMAN. Where a situation arises that the manufacturer says that he is unable to sell his commodities, and he is going to reduce production, do you favor curtailment of hours, so as to spread employment, or would you maintain the hourly rate and separate men from the pay roll? Have you given that any thought?

Mr. GREEN. I should favor distribution of the amount of work.

The CHAIRMAN. Spreading the jobs as far as possible?

Mr. GREEN. The number of hours worked per day, or the number of days worked per week.

The CHAIRMAN. Where they have a contract with the organization must the employer maintain that hourly schedule, instead of lessening it so as to give work to a greater number?

Mr. GREEN. Well, Senator, the hourly rate ought to be religiously maintained.

The CHAIRMAN. The hourly rate.

Mr. GREEN. Yes, because any reduction in the hourly rate means the aggravation of an already serious economic situation, because it reduces the buying power. That will not do any good.

The CHAIRMAN. Do many contracts provide for a minimum number of hours per week?

Mr. GREEN. The contract usually provides for the number of hours to be worked, per day, and in many instances the number of days to be worked per week, but there is nothing in a contract that requires the employer to guarantee so many days' work per week.

The CHAIRMAN. What is the situation the employer finds himself in if he has a contract for those minimum hours per day and per week, and then he is forced to curtail production, and, in his judgment, he can spread the work and maintain more employees by reducing the hours. If he did so he would violate the contract if the contract provided for a certain number of hours per week, would he not?

Mr. GREEN. Yes.

The CHAIRMAN. What would you do under those circumstances?

Mr. GREEN. Usually that is worked out locally, when an emergency arises, as between the employers and the employees, because there is no contract that makes it obligatory upon an employer to guarantee his workers so many days per week.

The CHAIRMAN. It is a matter of negotiation?

Mr. GREEN. Yes; it is a matter of negotiation.

The CHAIRMAN. So far as your personal opinion is concerned, if that situation arose and an employer presented it to your people, you would favor spreading the employment, so as not to separate men from the pay roll?

Mr. GREEN. I would. I think that is the proper way.

RETRAINING PROGRAM

The CHAIRMAN. You referred to a matter in which I am quite interested, and that is the retraining program. Insofar as experience with the W. P. A. is concerned throughout the country, certainly during the last year, it has been said that we have a surplus of unskilled labor, but that we have had a large shortage of skilled labor, and the difficulty is to train these unskilled workers so as to remove them from that class that has become burdensome. Would you urge the establishment of schools in which to retrain these displaced employees for some field in which their services could be utilized, or would you favor working out a plan whereby they could be placed in industry and learn a skilled trade, the Government giving some assistance to the manufacturer who promoted the training of these men in a plant?

Mr. GREEN. I should favor the pursuit of a double policy; one, to promote vocational training—labor has given very loyal support to vocational training—and to the appropriation of funds by the Federal and State Governments for the purpose of promoting vocational training. That is designed to train workers to become mechanics and skilled employees.

Secondly, there has been very little inducement during the last 6 or 8 years for young men to come into the skilled trades, particularly the building trades, as apprentices. There has been no work. There has been no opportunity. This economic situation has demoralized that. And, in addition to that, it has caused deterioration, to some extent, in many places, on the part of those who are skilled.

The CHAIRMAN. The charge has been made at times that some persons in organized labor have discouraged the retraining of men because they preferred the apprentice system, and the restricting of the number of men. You said that you are in favor of a retraining program.

Mr. GREEN. Well, you mean vocational training, do you not?

The CHAIRMAN. I mean training a man who is now an unskilled laborer——

Mr. GREEN. That is the same thing. We have supported that for 25 years.

The CHAIRMAN. During the depression there was little building. There was little chance for a boy to serve as an apprentice.

Mr. GREEN. There was no inducement for them to come in, because there was no work for them.

SOCIAL SECURITY ACT AMENDMENT

The CHAIRMAN. I have one more question. You would favor amending the Social Security Act to permit States that are now not paying unemployment-insurance benefits, and States where laws will not permit any such payments for some time to come, to amend those laws and provide for payment at an early date, so as to cushion this shock of the depression?

Mr. GREEN. Yes; I favor that.

Senator MURRAY. In your P. W. A. program I assume you have in mind building projects of a character that are reimbursable to the Government, and not merely projects of a character that would be wholly payable by the Government?

Mr. GREEN. Oh, I had that in mind.

Senator MURRAY. So that the burden would not be entirely on the Federal Government to carry on a P. W. A. program, and you think that that would be very helpful in the present situation?

Mr. GREEN. I think so.

Senator MURRAY. There is a great demand in the country, is there not, for the construction of projects, such as water-conservation, and flood-control projects——

Mr. GREEN. Yes.

Senator MURRAY (continuing). That are absolutely essential to the country?

Mr. GREEN. Essential; very essential.

Senator MURRAY. You think this would be the right time to inaugurate a plan for the building of those kinds of works?

Mr. GREEN. Yes; I think so, because I think there are two reasons; first, the need is great; second, it would afford work opportunities for a large number of unemployed people.

Senator MURRAY. In addition to furnishing work opportunities, projects of that kind are known as regenerative, that is to say, they furnish a means in the various sections of the country to put unemployed people on their feet, and, also, farming areas that are suffering as a result of drought conditions, for instance, that are, at present, on relief, have to be supported and sustained by the Government. If projects of that kind were built it would place those people in a position where they would be able to take care of themselves, and take them off the Government?

Mr. GREEN. You are right, Senator. That is correct.

The CHAIRMAN. Your position is that if construction was stimulated it would guarantee more employment and, therefore, increase the National income?

Mr. GREEN. Yes, sir.

The CHAIRMAN. You admit that you have not been able to go into the question of how we should finance it?

Mr. GREEN. On the taxation?

The CHAIRMAN. Yes.

Mr. GREEN. No; because I have not gone into that. It seemed to me that it would be a bit presumptuous on my part to go into the taxing problem. However, I will be glad to make some recommendations on that if you feel that they are acceptable.

The CHAIRMAN. I would be glad if you would submit them after you have had an opportunity to give more thought to it, because you were not asked to comment upon it today.

Mr. GREEN. I will be glad to do that.

The CHAIRMAN. The committee will stand adjourned until 2 o'clock, and Mr. Martin will testify as to the automobile industry and automobile workers.

(At 12:05 p. m. a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2:10 p. m., pursuant to recess.)

STATEMENT OF HOMER MARTIN, PRESIDENT OF THE UNITED AUTOMOBILE WORKERS OF AMERICA

The CHAIRMAN. Will the committee come to order?

Mr. Martin, we have invited you to come before the committee to give us what information you have, first, as to the extent of unemployment in the automobile industry.

What information have you as to the status as of this date?

Mr. MARTIN. Well, we have considerable information concerning both the unemployment, complete—that is, the total number of people out of work, and reduced hours on which the remainder are employed at the present time.

The CHAIRMAN. How did you secure that information?

Mr. MARTIN. Well, we secured that information by the conferences with the plant management, through the collective-bargaining procedure we have established with the various corporations.

The CHAIRMAN. Do they furnish you accurate figures as to employment?

Mr. MARTIN. Yes.

The CHAIRMAN. Do you have a system of keeping account of the unemployment each week in each plant?

Mr. MARTIN. We do not have a system quite that thorough, but we do have very accurate information as to the employment each week.

The CHAIRMAN. Do you acquire it by correspondence or by sending representatives to the plant?

Mr. MARTIN. Well, we have conferences with the managements themselves at various plants, at which time they inform our committeemen and representatives concerning the number of employees on the payroll and how many there are normally, and, of course, we keep comparative figures on those matters.

The CHAIRMAN. What I mean is, do you have a certain date on which your representative discusses these matters and obtains this information as of that date?

Mr. MARTIN. Yes; we have; usually on Tuesday of each week.

The CHAIRMAN. Tuesday of each week.

Mr. MARTIN. Yes.

The CHAIRMAN. And those representatives communicate to you the information that is thus received?

Mr. MARTIN. Yes.

The CHAIRMAN. As of what date do you have the latest figures?

Mr. MARTIN. I don't know the exact numerical figures. What I have are more or less relative, but pretty accurate. I can give you some of the results from the various corporations.

We have, for instance, the employment of General Motors and Chrysler. At Chrysler Corporation, for instance, the normal employment is about 80,000; the current employment is around 15,000.

The CHAIRMAN. And the normal employment is 80,000?

Mr. MARTIN. Yes.

The CHAIRMAN. When did they have 80,000?

Mr. MARTIN. At the peak of production in 1937.

The CHAIRMAN. In 1937.

Mr. MARTIN. Yes.

The CHAIRMAN. What month was that?

Mr. MARTIN. Well, the peak of 1937 was reached in the early part of the year, February.

The CHAIRMAN. And at that time you say they had 80,000?

Mr. MARTIN. Yes; about 80,000.

The CHAIRMAN. And to what did that production drop?

Mr. MARTIN. About 15,000.

The CHAIRMAN. That is, in all plants?

Mr. MARTIN. Yes.

The CHAIRMAN. What other plant have you?

Mr. MARTIN. I would like to add also that the current week for those employees varies from 12 to 24 hours. That is, those workers now on the pay roll are working from 12 to 24 hours.

The CHAIRMAN. Before we leave that, when Chrysler commenced a separation of these employees from the pay roll, what month did it start in? In June?

Mr. MARTIN. I think it was in October.

The CHAIRMAN. And you mean to say from October to this date they decreased from 80,000 to 15,000?

Mr. MARTIN. That is about right.

The CHAIRMAN. Go ahead.

Mr. MARTIN. We have General Motors with a current employment, according to the figures, which runs around 161,000. The work week, on the average, is about 24, although that is going down in some instances. But the current week is 24.

The CHAIRMAN. 24 hours, you mean?

Mr. MARTIN. Yes; 24 hours for the week.

The CHAIRMAN. What is your figure for General Motors?

Mr. MARTIN. Current figures?

The CHAIRMAN. Yes.

Mr. MARTIN. 161,000.

The CHAIRMAN. As compared to what at the peak?

Mr. MARTIN. 226,000.

The CHAIRMAN. At what date?

Mr. MARTIN. That was at the peak of 1937 and early in 1936.

Senator MURRAY. Mr. Knudsen testified that in 1937 they had an average of 235,000.

Mr. MARTIN. This that I am giving is the automobile workers. I am talking about the automobile workers only.

The CHAIRMAN. The Ford Manufacturing Co.—did you give that for the automobile workers?

Mr. MARTIN. I am not certain as to what month that applies to, but it was the peak for 1937, and General Motors, in the conference, gave us these figures.

The CHAIRMAN. Without regard to what month that was?

Mr. MARTIN. Yes.

The CHAIRMAN. And you cannot compare it with regard to any particular month?

Mr. MARTIN. That is right.

The CHAIRMAN. And what do your own records show?

Mr. MARTIN. I am not certain what is the peak month.

The CHAIRMAN. When did you start acquiring this information you have described?

Mr. MARTIN. Well, it would be for about the past 3 months.

The CHAIRMAN. When you first started what was the number employed?

Mr. MARTIN. Somewhat less than 226,000, about 220,000. I think that was early in the beginning of this production year, September and October.

The CHAIRMAN. And when did the largest decrease occur?

Mr. MARTIN. Some time in the early part of October.

The CHAIRMAN. You are not taking into consideration January first?

Mr. MARTIN. No; I am not taking that into consideration.

The CHAIRMAN. What other illustrations do you care to give?

Mr. MARTIN. Well, we have the Ford Motor Co., which includes the Ford and Lincoln, in the River Rouge plant, where, for instance, normally there is employed from 90,000 to 100,000.

The CHAIRMAN. Where did you get those figures?

Mr. MARTIN. We have those figures from various sources of information.

The CHAIRMAN. What sources?

Mr. MARTIN. Well, we have taken employment rolls as we have been able to secure them, and from information secured from various workmen, and estimates of our own.

The CHAIRMAN. What does that mean, Mr. Martin? We wish to secure as definite information as possible. Have you received that information from anybody who has charge of the records at that plant?

Mr. MARTIN. No.

The CHAIRMAN. You could not secure that?

Mr. MARTIN. No.

The CHAIRMAN. But just from the best information you could get, and from your own estimates?

Mr. MARTIN. That is correct.

Senator DAVIS. What percentage of the total employees have been laid off?

Mr. MARTIN. What percentage?

Senator DAVIS. Yes; what percentage of the total?

Mr. MARTIN. Well, about 40 percent.

The CHAIRMAN. Since what date?

Mr. MARTIN. Since October.

The CHAIRMAN. Where did you get that information?

Mr. MARTIN. We have that information from General Motors themselves.

Senator DAVIS. That 30,000 was laid off out of the 220,000?

Mr. MARTIN. That was on January 1, but there was a considerable layoff before that.

Senator DAVIS. What is the percentage of Chrysler, in terms of unemployment? What percentage of their employees are at work?

Mr. MARTIN. Well, it is 15,000 out of 80,000.

Senator DAVIS. That is just an estimate, and the same estimate you gave there on the Ford. That is just the information you got. I am talking about Ford, now——

Mr. MARTIN. I don't know that anybody has got any information about Ford.

Senator DAVIS. At least, you haven't any information.

Mr. MARTIN. No.

Senator DAVIS. What other information have you about unemployment in the industry?

Mr. MARTIN. General information?

Senator DAVIS. Yes.

Mr. MARTIN. Well, the general unemployment as we get it is about 50 percent. That covers the automobile-parts production and automobile production; at least 50 percent.

The CHAIRMAN. Have you prepared a statement you desire to present to the committee?

Mr. MARTIN. I have some additional figures on different corporations which I will place in the record at this time, if agreeable.

The CHAIRMAN. Yes.

(The statement referred to is as follows:)

Graham Paige: Normal employment, 2,100; current employment, same; hours per week, 24. Schedule of output, 4 or 5 days per week.

Nash: Normal employment, 10,000; present unemployment, no figure; unable to get information; current hours per week, 24. Schedule of output for next few weeks, 3 days a week, but uncertain.

Studebaker: Normal employment, 8,000; no figure on current unemployment. However, probably not very many laid off. Current hours per week, 32. Schedule 4 days per week, but uncertain.

Auburn-Cord: Normal employment, 4,000. Closed down entirely.

Hudson: Normal employment, 14,000; current employment, 12,000. Current hours per week, 24. Schedule of employment for next few weeks, 3 days per week, possibly increase to 4 days.

Willys-Overland: Normal employment, 5,000; current employment, shut down altogether during Christmas holidays; reopened on 24-hour week basis; not sure whether or not they are up to normal again. Schedule for next few weeks, 3, possibly 4, days per week, but uncertain.

Packard: Normal employment, 14,000; current employment, 11,000; current hours per week, 36. Schedule for next few weeks uncertain.

Reo: Normal employment, 1,700; current employment, 700; hours per week, 16. Schedule for next few weeks, 2 days per week.

SITUATION IN VARIOUS CITIES IN UNEMPLOYMENT

Detroit: Out of approximate total of 273,000 workers, there are 118,000 unemployed, as of December 29. There have been additional lay-offs since that date, but unable to get figures which are any more accurate. This includes, of course, some of the plants in General Motors, etc. Includes big plants of Detroit, and main employers. Does not include miscellaneous plants.

Flint: Normal employment, 45,073; unemployment, 500, but expect additional lay-offs beginning immediately. They are just beginning.
Pontiac: Normal employment, 23,000; unemployment, 5,000.
Lansing: Normal employment, 16,000; unemployment, 8,000.
Saginaw: Normal employment, 9,000; unemployment between 2,500 and 3,000.
Cleveland, Ohio: Normal employment, 50,000 (including parts plants); current unemployment, 25,000.
Canton and Kent, Ohio: About 50,000 unemployed.
Relief situation: In all cities contacted, practically impossible to get workers on relief. Answer given workers is that they have no money for relief.
In Cleveland, Ohio, workers are compelled to take a pauper's oath.
In Ohio, the State legislature yesterday appropriated $6,000,000 for relief, if this amount is matched by $18,000,000 from Cleveland. This amount is sufficient only for 15 days on relief for present unemployed.
In Detroit, it is very difficult to get relief because of lack of money. In addition, it has been impossible to get workers on W. P. A. because they must be certified for relief before they can be put on W. P. A.
In Lansing, trouble is that the relief offices are all understaffed and cannot take care of cases. As a result, the lay-offs are multiplying much more rapidly than they put them on relief.
Similar situation all over in relief.

Mr. MARTIN. Also with regard to the situation in unemployment, for instance, in the city of Detroit, the W. P. A. allotment of jobs was about 10,000.

The CHAIRMAN. That was when?

Mr. MARTIN. Total allotment for the city of Detroit was 10,000. About 3,000 to 4,000 have already been taken up; 6,000 are now ready to go to work. In other words, the job allotment for the city of Detroit is completely taken up so far as Detroit is concerned, and yet that type of work relief is barely touched. There are thousands applying for work.

The CHAIRMAN. What do you say the allotment was?

Mr. MARTIN. About 10,000, according to information we have.

The CHAIRMAN. Our information is there are 16,000 at this time. From whom did you get your information?

Mr. MARTIN. I got it from the W. P. A.

The CHAIRMAN. Mr. Hopkins?

Mr. MARTIN. Mr. Hopkins' assistant.

The CHAIRMAN. Mr. Aubrey Williams?

Mr. MARTIN. Yes; that it was 10,000.

The CHAIRMAN. Go ahead.

Mr. MARTIN. At the present time it is impossible to figure those applying for W. P. A. work. With allotments of 10,000, there are at least 60,000 to 70,000 that should be on W. P. A. within a short time.

The CHAIRMAN. Mr. Gill, of W. P. A., has testified before the committee, and his testimony was the various State organizations determined the eligibility of individuals for certification to a job; that recently there was an additional allotment to the Nation, which had to be divided according to regions.

Mr. MARTIN. Yes.

The CHAIRMAN. And that a certain number of employees that will be put to work on jobs had not yet been allocated, according to the certification of the local organizations. Does that apply to those you have mentioned?

Mr. MARTIN. They are not on the rolls yet. They are not certificated, and they are without resources——

The CHAIRMAN. You have made investigation with regard to that matter?

Mr. MARTIN. Yes.

The CHAIRMAN. How did you investigate that?

Mr. MARTIN. On our books we have sections that cover that.

The CHAIRMAN. That cover those that are unemployed?

Mr. MARTIN. No; that are not certificated. About 50 percent of the industry is not employed.

The CHAIRMAN. About 100,000 out of 200,000 are out of a job?

Mr. MARTIN. Yes.

The CHAIRMAN. Does your organization have any money that it can advance to those unemployed?

Mr. MARTIN. No.

The CHAIRMAN. Do you know how many have received relief?

Mr. MARTIN. My estimation is they have not received at the present—my information is the State's resources are very close to the top.

The CHAIRMAN. What fees are collected by your association?

Mr. MARTIN. $1 a month.

The CHAIRMAN. You have no other funds through which you could extend any relief?

Mr. MARTIN. That is right.

The CHAIRMAN. Before you get through, did you state how many, in your estimate, are not now unemployed at the Ford plant?

Mr. MARTIN. The Ford plant is now employing—the estimate is somewhere around 50,000 of the 90,000.

The CHAIRMAN. The 90,000 being the total?

Mr. MARTIN. Yes.

The CHAIRMAN. You estimate that Ford employs about 50,000——

Mr. MARTIN. About 40,000 unemployed.

The CHAIRMAN. And of those that are employed, are they working full time?

Mr. MARTIN. No; he is working about 3 days a week.

The CHAIRMAN. If you desire to proceed with your statement, go ahead.

FISHER UNEMPLOYED LODGE

Mr. MARTIN. We have a situation in Detroit called the Fisher Unemployed Lodge, which was originally supposed to accommodate 400, but there are 1,150 there at the present time. The lodge is only for single men. In September it was inspected by the Detroit Board of Health and the administration notified that under no condition should they put more than 400 in the Lodge. Men report that food is revolting, and they have to exist on one small sandwich from 7:30 a.m. until 4:30 p. m. Declare that they have had no meat for the past 3 weeks.

The CHAIRMAN. What lodge is that?

Mr. MARTIN. The Fisher Lodge. That is a local lodge for the single men.

The CHAIRMAN. Conducted by whom?

Mr. MARTIN. By the city.

On Tuesday of this week the administration of the lodge was notified of a visit from the city board of health and immediately removed one-third of the beds from the rooms and hid them, and after the inspection had been made, moved the beds back. There are approximately 600 men in 1 room, without ventilation, and beds are arranged about 6 to 8 inches apart.

The CHAIRMAN. Six hundred in one room?

Mr. MARTIN. That is right.

The CHAIRMAN. What size room is that?

Mr. MARTIN. Well, it is a very small room for that number of men. There shouldn't have been in the lodge any more than 400; there are now 1,150.

The CHAIRMAN. And you say there are 600 men in 1 room?

Mr. MARTIN. Six hundred men in one room.

A number of the men have tuberculosis and other kinds of contagious diseases. The men are required to leave the building at 8:15 in the morning and cannot return until 10:30 p. m. Many don't have adequate clothing to keep them warm out in the cold all day.

CITY RELIEF SITUATION, DETROIT

Welfare situation in Detroit: Those who want relief have to get there early in the morning, because the offices close at 3 p. m.

The CHAIRMAN. That is the city relief?

Mr. MARTIN. That is right. City relief.

There have been lines two blocks long and more in front of relief stations, and in this line are women with babies, old men, and others unable the bear the cold because of insufficient food and clothing. More than once, men and women have fallen exhausted while waiting in line. Relief offices are understaffed. They cannot possibly take care of those who wait in line. In view of this, the majority receive insufficient attention from the case workers.

There is so much red tape that the workers have to bring insurance policies, rent receipts, proof that bonus money has been spent, birth certificates, proof that they have lived in the city for more than a year, before they can open a case. When they bring all this information, the workers are told to go home and wait until an investigator calls. This often means a delay of 2 or 3 weeks, because of a large number of cases, and small number of investigators. After the investigator finally gets there and determines that they are suffering and in want, the family is told that they will receive a letter telling them to call for a relief check at a certain time. This usually means an additional delay of a week or more.

The budget allowed in the city of Detroit for relief is $1.62 per week for food per man and $1.39 for a woman; smaller amounts for children. Average food allowance per individual amounts to $1.40, approximately 8 cents per meal. Single men who have lived and worked many years in Detroit and who are unemployed are sent to the Fisher Lodge.

The CHAIRMAN. Where is the State office for relief in Detroit?

Mr. MARTIN. I understand, there are several of them.

The CHAIRMAN. Have you been to any one of them?

Mr. MARTIN. I have been to some, but I don't remember which.

The CHAIRMAN. You have had some information. There is some State office in Detroit, and I just wanted to know where the office you went to was.

Mr. MARTIN. We have welfare stations. That is what we are talking about.

The CHAIRMAN. And some are run by the State and some are run by the city?

Mr. MARTIN. There are some run by the city and some by the State, as I understand it.

The CHAIRMAN. All right; have you any other statement with reference to the general conditions existing there?

RELIEF APPROPRIATION, CLEVELAND, OHIO

Mr. MARTIN. I have a statement here from the State of Ohio showing that there was a State appropriation, for the unemployed, and that the city of Cleveland also made an appropriation. The total appropriation will care for the unemployed for about 15 days.

The CHAIRMAN. What was the appropriation, how much?

Mr. MARTIN. Six million by the State, and eighteen million by the city of Cleveland.

The Chairman. That is 24 million?

Mr. MARTIN. That is estimated, that this total appropriation will last 15 days.

The CHAIRMAN. $6,000,000 by the State and 18 million by the city of Cleveland?

Mr. MARTIN. Yes.

The CHAIRMAN. And the $18,000,000 in Cleveland will run how long?

Mr. MARTIN. Fifteen days.

The CHAIRMAN. That is more than $1,000,000 a day in Cleveland, without any aid from the State?

Mr. MARTIN. That is my information. That is what my figures show.

The CHAIRMAN. How was that estimate based on more than a million a day made?

Mr. MARTIN. I don't know.

The CHAIRMAN. Who did you get the figures from?

Mr. MARTIN. We got them from the relief agency in Ohio.

The CHAIRMAN. And the relief agency in Ohio stated $18,000,000 would last 15 days?

Mr. MARTIN. Yes.

The CHAIRMAN. That would be about 40 millions a month; about $480,000,000 a year for the city of Cleveland?

Mr. MARTIN. And the total State appropriation, $6,000,000——

The CHAIRMAN. I was eliminating that entirely in commenting on your statement that the city of Cleveland has appropriated $18,000,000, and it won't last but 15 days. That will be an expenditure of more than a million a day in the city of Cleveland.

Mr. MARTIN. Yes, in Cleveland; and with the unemployment situation increasing at the rate it does, of about 50,000—the current unemployed is about 25,000 increase, which is about half. Before we get away from Cleveland, could it be possible that you are thinking of something else?

Mr. MARTIN. It is possible——

The CHAIRMAN. One minute.

Mr. MARTIN. That I correlated it wrong.

The CHAIRMAN. That the present money available will last about 15 days, and that there will be additional money necessary to last the balance of the fiscal year?

Mr. MARTIN. I think possibly it is correct.

It is my personal opinion that the present situation calls for immediate action on the matter of relief. Hundreds of thousands of workers are out of work, and they are facing immediate hardships because of their unemployment, and other hundreds of thousands are receiving such low wages that it is impossible for them to obtain a proper living.

In speaking of the general situation, if the committee pleases, I have a statement prepared. What I would like to say to the committee is this it is from a statement prepared and presented by economists of the United Automobile Workers and the United Mine Workers, which presents our views on the present economical and social conditions. The statement is as follows:

Experience has forced upon us the inescapable conclusion that recovery and reemployment can only be attained by governmental action as to minimum wage standards, maximum hours of work, and profit controls. In other words, it has become clear that modern industry cannot and will not voluntarily function in the public interest and hence, must be required to do so through governmental regulation, even should such a procedure require amendments to the Constitution itself.

Confronted with the necessity for such reform, it is at once further apparent that the labor movement in present-day America must organize itself effectively for political as well as economic action. It is also clear that not only should the labor movement as now organized present a unified front, but that its ultimate success requires that all of the 30,000,000 or more workers, whether by head or hand, available for organization, should be organized—both economically and politically—so that the fundamental democratic reforms which are before us for solution can be effectively met in a constructive way, according to our democratic tradition.

In a fundamental sense, it is our belief that our political democracy of the present day must be supplemented by sound measures of industrial democracy. Otherwise our political democracy will be meaningless.

C. I. O. PROGRAM

The immediate legislative program of the C. I. O. is, therefore, concerned with supplementing the Wagner National Labor Relations Act, with additional guarantees and safeguards of industrial democracy. In addition to the right of workers to organize and bargain collectively through representatives of their own choosing, we wish to obtain legislative sanction for the following individual rights as against industry, or, as a condition to the operation of industry:

1. The right to the unskilled workers of those lowest in the industrial scale to a living wage sufficient to maintain themselves and their families in health and modest comfort, such wage to be established according to accepted, official, budgetary standards; existing differentials for skilled and experienced workers to be maintained.

2. Shorter hours of work, beginning with the 6-hour day and the 30-hour workweek.

3. Prohibition of child labor under 16 years of age, and of employment of minors under 18 years, in hazardous occupations.

4. Guarantee to women workers of the same rates of pay as men engaged in similar occupations.

5. Prohibition of employment of strikebreakers or labor spies by industry.

6. The right of all workers to share, in the form of higher wages and salaries, or shorter hours of work, in the increased productive performance of industry to the end that mass-purchasing power and employment may keep pace with advance in mechanization and technological improvement.

There is no doubt that American industry under proper economic planning and controls—by which there would be established an equitable distribution of the productive performance of industry—legitimate capital investment could be adequately rewarded, the 30-hour workweek put into effect, and a living wage paid to our lowest-grade workers, with proper differentials above this minimum for skill, hazard, experience, and training. This has been conclusively demonstrated by recent scientific inquiries by economists and engineers such as the Brookings report on "America's Capacity to Produce," the Loeb "Chart of Plenty," and the "Report of the Committee on Economic Relations" of Columbia University.

DEMOCRATIZATION OF FINANCE AND INDUSTRY

It is because of this possibility, as well as other more fundamental considerations, that American finance and industry must be democratized and required to function in the public interest.

When we give thought to the more fundamental considerations which are operative in America today, we are confronted with the fact that since the World War a social and economic revolution has been developing in the United States as the inevitable outcome of conditions and policies imposed by a dictatorship in control of American finance and industry. Both in times of depression and in times of prosperity, this financial autocracy has constantly exerted its control and prevented all real progress toward economic and social reform.

This American financial and economic dictatorship has been no less effective than those of Europe, but, unlike the European dictatorships, it has been socially and politically unsanctioned and has worked out its objectives without open, official recognition. It has been aptly stated that "its control has rested in the hands of a small, inner group of New York bankers and financiers symbolized and dominated by the New York private banking house of J. P. Morgan & Co., and that its power, which overshadows that of our National Government is derived from its concentrated national control of banking facilities, credit, and corporate and other wealth."

FINANCIAL DICTATORSHIP

President Woodrow Wilson, in his New Freedom of 1913, declared that this oligarchy controlled "the very life and destinies of the American people." He vainly thought that he had restricted its power effectively through the passage of the Federal Reserve Act. Under the New Deal some restrictions upon its power have been imposed through the creation of the Securities and Exchange Commission and amendments to the National Banking Act. It is apparent to the leaders of the C. I. O., however, as well as to all other thoughtful and disinterested observers, that if we are to have any genuine hope

for real economic and social reform in the future, that this financial dictatorship symbolized by the dominance of Morgan & Co. must be eliminated from the American scene. At the present time it is using its full power to defeat the New Deal, to reestablish predepression conditions, and to resume its unenlightened and disastrous dominance over American industry.

Official investigations, such as the celebrated "Pujo Inquiry" and report of 1913 of a special committee of the House Committee on Currency and Banking, and the Pecora investigations of the Senate Committee on Banking in 1933, have revealed its power and its methods of operation. It dominates, as is well known, our railroads, power, and other utilities, banks, motors, electrical manufacturing, steel, and other basic industries. Policies are thus imposed by which the productive gains of industry arising from increased mechanization and technological progress, as well as from all other sources—which should have resulted in lower prices, higher wages and salaries, and shorter hours of work—have been capitalized and diverted to the payment of dividends and interest requirements on fictitious or unwarranted security issues.

Not only actual but prospective earnings of industry have been capitalized. Adequate mass purchasing power and employment—essential conditions to the functioning of modern industry—have thus been prevented. The present-day opposition to the excess profits or surplus tax is fundamentally due to the fact that it prevents an improper diversion of corporate earnings through stock dividends. The bearing of this practice along upon the labor movement may be quickly seen from the fact that stock dividends or participations on General Motors common since 1915 yielded in dividends in 1936 almost double the amount of average annual earnings of all General Motors employees.

It is estimated for 1936 the average General Motors employee received about $1,356. There was a $117 profit on each car General Motors made last year, for a total of $238,000,000 profit, a profit of $1,000 on each man.

DEMOCRATIC ECONOMIC PLANNING NEEDED

Aside from these considerations, the misguided, unenlightened, and restrictive record of industry and finance since the World War, under the domination of this financial autocracy, conclusively demonstrates the need for democratic control and democratic economic planning. It has been as follows:

First: During the years 1922–29, unprecedented industrial performance and gains were made the basis of speculative security issues or improperly diverted to the small, privileged groups in control of industrial and financial corporations. Wage and salary workers were deprived of any adequate participation in output and their families restricted to preexisting, inadequate living standards. The result was that mass purchasing power was insufficient to absorb industrial output, and industry in 1929 collapsed.

Second: During the years 1930–32, the masses of our people were abandoned to unemployment and indescribable suffering due to the misguided opinion of the Morgan banking group that "it was just another depression which could be cured by cutting wages and

prices." As a consequence, home, farm, and security values were deflated to the point where the Morgan group was engulfed by the results of its own follies and were only rescued from destruction by an appeal to the President to save them at any price "short of communism."

Third: 1933–37, as soon as the New Deal in 1933 arrested the downward avalanche of deflation and turned the spiral upward, and by 1934 brought about a revival of profits, industrial and financial leaders dropped all semblance of cooperation, and consumed by the inordinate desire to restore themselves to power and to revive the discredited conditions of finance capitalism of the years 1923–29, actively turned against real recovery and reform.

RECESSION OF 1937 CHARGED TO INDUSTRY

In the early part of the present year, their incompetence again became more clearly manifest, when, as a result of their insistence that the Budget be balanced, the President reduced pump priming to the extend of approximately $2,000,000,000. Although during the period of 1933–37 the President had pumped more than 20 billions of dollars into industry, those in control had taken out excessive profits and had not reduced hours or increased wages adequately. The result was the present relapse, which will not be overcome until the Federal Government has again taken complete charge of industry as it did in the early summer of 1933.

In the light of this unenviable and indefensible 17-year record of undeviating incompetency by the banking and financial oligarchy which has ruled America during the past two decades, it is the opinion of the labor movement as represented by the C. I. O. that such autocratic and selfish banking control should be eradicated, and that a democratically controlled system of so-called investment banking should be immediately substituted for it.

Following the analogy of the T. V. A. in the power industry, as an emergency measure the Reconstruction Finance Corporation might be authorized to act as fiscal agent for corporations, and as a bank of issue, distribution, and sale of corporate securities. As to our basic industrial corporations themselves, they should be required to take out Federal charters—as in the pending Borah and O'Mahoney bills—containing proper safeguards and measures for corporate functioning in the public interest.

With the elimination of this antisocial and antidemocratic Morgan banking and financial obligarchy, labor plans, in the words of a recent statement by the chairman of the Committee for Industrial Organization [reading]:

> to use its strength to establish an industrial procedure of constantly increasing output and constantly lower costs, and declining prices and profits per unit of output, attended by a corresponding expansion in wages and salaries payments, or otherwise stated, to develop a mass-purchasing power sufficient to absorb the ever-growing production of our mills, mines, factories, and farms.
>
> To use an academic term which is rapidly becoming popularized, organized labor is constructively striving for a "planned economy," under the auspices of the Federal Government.

COMMISSION TO REGULATE BASIC INDUSTRIES

Legislation has already been drafted by labor to make such a system of economic planning or control possible. Under the sponsorship of the United Mine Workers in the early part of 1935, a committee of experts prepared a bill providing for the regulation of our basic industries by a public commission which would be guided in its action by a national planning board. This regulatory measure was designed not only to be negative or regulatory (as is now the practice in the case of public commissions) but also constructive in its action.

Upon the basis of constructive recommendations by its planning board, public hearings would be held by the proposed commission, after which such constructive recommendations, if it were deemed wise and necessary, might be revised by the commission and made mandatory upon industry by an order of the commission. If any plant or industry should prove recalcitrant, the commission was authorized to appoint public trustees to operate it pending compliance or its acquisition by the Government or its orderly liquidation.

In the light of our predepression experience with the financial dictatorship in control of industry, as well as with our depression experience with the same dictatorship during the past 7 years, it would obviously seem futile to expect any better voluntary performance in the future. Undoubtedly, the time has now come and our manifest duty should no longer be evaded, through appropriate democratic measures, to require our so-called investment banking system and their affiliates—our basic industrial corporations—to function in the public interest.

ECONOMIC SECURITY DEPENDS ON BANKING AND INDUSTRIAL REFORM PLAN

Not only labor itself, but all groups of our people, are directly, vitally, and fundamentally interested in such a plan of banking and industrial reform. Upon its consummation, or more drastic measures, our economic security and social well-being for the future depend.

It is my impression that the present state of unemployment has resulted from inadequate purchasing power of the millions of workers in the country, through the efforts of corporations to take more and more profits from industry, without consideration for the welfare of those who work in those plants, in the automobile—and the automobile industry is as good as other industries, if not better. Yet hardly any of these workers have enough money, or enough provisions, laid up to keep them off charity 1 month if they are laid off. That exists practically in all the industrial centers with which I am acquainted.

The CHAIRMAN. Mr. Martin, when you wired the committee asking that you might be heard, we granted you that privilege. That is the statement you wished to make?

Mr. MARTIN. Yes.

The CHAIRMAN. I might say to you that John L. Lewis, the head of your organization, has been invited to appear, and I understand will at some later date, and in view of your having asked the privilege of being heard, we accorded you the privilege and were glad to do so.

Mr. MARTIN. Thank you.

(Subsequently Mr. Martin forwarded the following statement for inclusion in the record:)

What appear to be discrepancies in employment figures between my testimony and that of the manufacturers are principally the result of the use of different bases of computation. My testimony was concerned solely with hourly paid factory employees and did not include salaried employees. For example, General Motors executive stated that there were 235,000 employed at time the lay-off of 30,000 on December 28th was announced, leaving a balance of 205,000 employees working. Figures which the union obtained from General Motors officials themselves revealed that for the 11 months ending November 30, 1937, the average number of hourly paid employees in the United States was 195,216. With the lay-off of 30,000, this leaves 165,216 employees, which checks closely with my figure of 161,000.

STATEMENT OF WILLIAM HABER, UNIVERSITY OF MICHIGAN

The CHAIRMAN. Mr. Haber, you were formerly Relief Administrator for Michigan?

Mr. HABER. That is right.

The CHAIRMAN. You are now at the University of Michigan?

Mr. HABER. That is right.

The CHAIRMAN. And in what capacity?

Mr. HABER. Professor of Economics.

The CHAIRMAN. Are you familiar with the relief situation at this time in Michigan?

Mr. HABER. Yes; I am. I have recently secured data from the Works Progress Administration and have the figures both for direct and work relief reasonably up to date.

The CHAIRMAN. From whom did you secure the information as to the State relief?

Mr. HABER. From the State Relief Administrator, Mr. George Granger.

The CHAIRMAN. When did you secure that?

Mr. HABER. I got it in the mail here day before yesterday.

The CHAIRMAN. And what is the situation at this time?

Mr. HABER. There are at the present time on direct relief in the State 62,000 cases, and these have increased at a rate of approximately 5,000 per week in the past 4 or 5 weeks, and in November, or at November 25, when there were 42,000 cases. My information is that up to that time no relief had been denied—applications had been accepted, but in 29 counties relief had been cut.

The CHAIRMAN. How was it cut?

Mr. HABER. The amount of money from the State limited, and therefore the relief cut, the local community officials decide to allow a larger number to get a smaller amount or a smaller number to get a larger amount.

The CHAIRMAN. And what was that number?

Mr. HABER. Sixty-two thousand for the State.

The CHAIRMAN. How about Detroit?

Mr. HABER. There are on direct relief in Detroit approximately 18,000 cases. That has also been increasing. Our experience there is significant in this respect: While a year or two ago people used to apply for relief about 3 weeks after being laid off, they are now apply-

ing for relief about 3 days after lay-off, not only on the basis of relief, but on the basis of the knowledge that it takes 2 or 3 weeks to be placed on the rolls.

The CHAIRMAN. How about W. P. A.?

Mr. HABER. The W. P. A., as for January 1, 49,300; December, 42,900.

The CHAIRMAN. From whom did you get those figures?

Mr. HABER. Emerson C. Ross.

The CHAIRMAN. How about the city of Detroit?

Mr. HABER. The city of Detroit figures as of December 15 are 12,340; as of current date, they estimate 15,000, but, of course, the number on W. P. A. depends upon the number certificated by the local agency.

Now, there has been issued a number of published statements by W. P. A., and I go on that basis, that the total W. P. A. quota for that city has not yet been taken up. That statement has already been made, but Detroit is one of the cities in the country that has no quota limit. It is one of the cities which is "open," that is, all persons certified by the relief agencies can be taken on W. P. A. There is as yet no report on that, and we are trying to get that information.

The CHAIRMAN. When you confirm that, will you place it in the record?

Mr. HABER. I certainly will.

The CHAIRMAN. Who is the director there?

Mr. HABER. Mr. Louis Nims.

The CHAIRMAN. When you were director there, did you have occasion to learn anything about this lodge there?

Mr. HABER. Oh, yes; the Fisher Lodge, a transient and single men's lodge. It was formerly used as a building in the Fisher plant. It is a huge building, four or five hundred feet long, and as many as four or five hundred beds have been put in it. I haven't been in the building recently, but I know in the earlier days it was a serious problem.

The CHAIRMAN. About the room——

Mr. HABER. I haven't got the figures on paper. W. P. A. will take on all who are certified as in need.

The CHAIRMAN. They will not place a restriction on the number of men who will get jobs——

Mr. HABER. It is open. I think probably it may later have to be limited, but it is open now.

The CHAIRMAN. And that information——

Mr. HABER. That information came from Aubrey Williams' office.

The CHAIRMAN. Is there anything else about the Michigan or Detroit situation?

Mr. HABER. This is just general observation. The State appropriation is far inadequate to meet the need, and it is estimated that they will have to have later funds to help meet the situation, that there is no queston in the mind of anybody that an increase of 5,000 a month applying for relief will deplete the funds available for the present fiscal year which ends June 30.

The CHAIRMAN. That is based on the fact that you will have that increase?

Mr. HABER. That is right.

The CHAIRMAN. And if conditions improve, then that increase will not be necessary, and you may not have to use what you have?

Mr. HABER. That is right.

The CHAIRMAN. The committee will recess until 10 o'clock Monday morning.

(Whereupon, at 3:10 p. m., the committee recessed until 10 a. m., Monday, January 10, 1937.)

UNEMPLOYMENT AND RELIEF

MONDAY, JANUARY 10, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes, chairman, presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch. Also: Alan Johnston, Esq., counsel for the committee.

Present also: Senator Townsend, of Delaware.

STATEMENT OF LAMMOT DU PONT, PRESIDENT OF E. I. DU PONT de NEMOURS & COMPANY

The CHAIRMAN. Mr. du Pont, will you take the chair, please.

Mr. du Pont, you are president of the du Pont Corporation?

Mr. DU PONT. The du Pont Co.; yes, sir.

The CHAIRMAN. In response to the invitation of the committee to appear today and to discuss the subjects referred to in the resolution under which the committee is acting, and a copy of which I think you have seen—, have you prepared a statement?

Mr. DU PONT. Yes, I have, Senator.

The CHAIRMAN. I wish, then, that you would first read that statement to the committee, if it is your desire to read it, and then the members of the committee can make such inquiries as they see fit after the reading of that statement.

Mr. DU PONT. I will be very glad to do so.

The CHAIRMAN. Please go ahead with the statement.

Mr. DU PONT. In responding to the invitation to appear before this committee, I want to make it plain that I have no theories to develop or panaceas to lay before you. The present situation is undoubtedly being explored before you by experts in economics, of which I am not one. The only contribution I can hope to make to your important study is from my own experience as a manufacturer so I will present to you certain figures from the du Pont Co. records with such light as they may throw on the national situation.

Your first question concerns the prospective unemployment and relief situation in the United States in the first 6 months of 1938. I am not in position to make any estimate of the general situation. In the du Pont companies, however, the facts are as follows:

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EMPLOYMENT

In 1929 the number employed by us was 42,000. This fell to a low point of 28,000 in 1932. Subsequently, our employment showed an almost continuous upward trend, reaching 55,500 at the end of December 1936, and then rising to a peak of 59,800 in September 1937. This declined by the end of the year to 51,600, which constituted a loss over 3 months amounting to 14 percent, and over the 12 months to 7 percent. At the peak of our employment last summer we had on our salary and pay rolls 42 percent more people than in 1929, and at the year end we were employing 23 percent more people than in 1929. Our annual pay roll at the year end was 40 percent higher, average monthly wages were 13 percent higher, average hourly wage rates were 26 percent higher, although the number of hours worked were 16⅔ percent less than in 1929. Our total annual pay roll in 1937 was 25 percent greater than for the year 1936.

Ever since our sales began to decline last spring, we have gone to the limit compatible with sound business practce to maintain employment and wages at the highest possible level. Throughout 1937 previously planned programs of expansion were continued and business-getting departments were maintained at full strength. There was no curtailment in advertising and sales promotion, nor in research work.

Deficiencies in inventories were made up, but goods could not be manufactured for which customers were lacking. Readjustments in production schedules were made reluctantly as a matter of necessity and in accordance with the situation that existed in each of our numerous plants throughout the country, which varied greatly from plant to plant on account of the diversity of our business. Working hours were then reduced in plants where curtailment was necessary so as to spread work and limit lay-offs to the lowest minimum possible. It does not seem desirable to reduce hours below 32 a week as that would result in a drastic lowering of earnings that would do more harm than good. Men have been laid off only as a last resort, and junior men first.

RECESSION OF 1937

The first intimation of a changing business situation came in April. The decline in sales of our products that followed became precipitate in the late autumn. Our November sales were 17 percent less in dollars than in November 1936, and in December 28 percent less than in December of the preceding year. Our forecast of sales for the first 6 months of 1938 is 23 percent less than in the first 6 months of 1937. I hope that this forecast proves erroneous, but on the basis of careful estimates I cannot be too hopeful of increased employment in our company during the first half of this year, for it is evident that we are in a pronounced recession.

Your next three questions concern unemployment compensation, assistance to the aged and other specified groups, and relief in its several present classifications. On each of these you have asked me to advance opinions as to their adequacy and possible effect in combating the losses in earnings brought about by unemployment during the next 6 months. My information on all of these subjects is necessarily most general and, consequently, any opinions that I might express would be of the same character and of little or no value to

your inquiry. I request, gentlemen, that you let others more competent than I discuss these questions, as they are far too important for inexpert consideration.

As to the present business situation and the fog of uncertainty in which we seem to be blanketed, my views may be pertinent, inasmuch as I am in close daily contact with industrial problems. My conception of private industry is that a manufacturing unit, a corporation, is a mechanism for assembling together capital and management to give employment to those not owning their own tools, or who are more effective when they are working together, so as to produce useful goods to be exchanged for the products produced by other corporations and individuals. The process is the same whether a few band together as stockholders to form a small business of limited employing capacity, or a great number of stockholders join to create a large employing organization. One supplements and complements the other and the two are interdependent. It is a cooperative process in which the different elements should function harmoniously and usually do, labor and other troubles being the exception rather than the rule and indicating where they occur some defective working of the machine. In the du Pont Co. the prevailing spirit has been one of concord. We try to work together smoothly and effectively, and we believe we have satisfactory and mutually beneficial employee relations.

The interchange of goods between the different members of the community through the functioning of the innumerable units for production and exchange provides increasing quantities of goods and services for the people to enjoy. The sum total of the goods and services received by all the individuals of the country may be measured by money and constitutes the national income. That does not consist of money, for an increased dollar income may at higher prices purchase a smaller quantity of goods and services. As goods are produced more efficiently and sold at lower prices, they become available to more people and in greater volume. The standard of living rises. When this interchange of goods and services between the different groups of the community is facilitated, the real national income rises and the country becomes more prosperous.

I have scrutinized du Pont prices to get some idea of our own performance in this process, and find that the weighted average of our sales prices declined 29 percent from the 1929 average to February 1933, when the United States Bureau of Labor Statistics Wholesale Price Index reached its low point of the depression. During the same period the United States Bureau of Labor Statistics Wholesale Price Index of "all commodities except farm products and foods," which is reasonably comparable with our own index, declined 28 percent. Between February 1933, and November 1937, the United States Bureau of Labor Statistics Price Index of "all commodities except farm products and foods" advanced 28 percent. However, our weighted sales price index for November 1937 was still a shade lower than in February 1933, and was actually 29 percent lower than the 1929 average. On the other hand, the United States Bureau of Labor Statistics index of "all prices except farm products and foods" for November 1937, was down only 8 percent from the 1929 average.

This performance on our part was realized in the face of a 56-percent increase in hourly wage rates since the early part of 1933, a

75-percent increase in the average market price of the more important and typical commodities which we use in manufacturing, and a 211-percent increase in the taxes which we will pay for the year 1937 as compared with the year 1933. We have been able to achieve these results primarily because of three things: First, increasing volume; second, special attention to reducing cost of manufacture; and third, the further fact that many of our lines are relatively new, in which the opportunity for reduction of cost and therefore the lowering of prices has been greater than with older products.

As our prices have not advanced along with the general price increase since 1933, obviously our fixed charges such as taxes, depreciation, and return on investment constitute a large proportion of our costs. We are now confronted with a lower volume of output unless business speedily revives, and we cannot prudently make much reduction from present prices if we are to maintain our present volume of employment and standard of wages.

May I say here that I believe in high wages and the increased buying power resulting therefrom. As I understand the matter from Department of Commerce reports, the national income that can be analyzed into employee income and property income, respectively, flows over 80 percent to employees and less than 20 percent to capital. Employees' share of income in this country has been higher than in any other country in the world or at any other time in history, and it is well that this is so. There must, however, be a reasonable hire for the machines, tools, and other assets employed in business to insure the creation and availability of the needed capital in business enterprise. At the present time there is undoubtedly a shortage of venture capital, due to a number of causes, which has been impeding the realization of innumerable projects throughout the country for the development of new enterprise and the expansion of production and employment.

Our own position in this respect is somewhat fortunate inasmuch as we sold securities for $48,000,000 early last summer to finance the development of our business. Our need for additional capital is apparent from the following figures. In providing facilities for new employment du Pont expended $53,900,000 on plant extension and modernization in 1937. This was more than double the average annual expenditure for this purpose since 1929. Over the past 8 years our total investment in new construction was $194,000,000. This shows our faith in the future of American enterprise and is cited as an indication of one of the contributions in my intimate knowledge made by private industry to employment and progress. New construction outlays projected for 1938, according to the compilation that has just been made, approximate $35,000,000. We are still looking ahead and hoping for better business.

INDUSTRIAL RESEARCH

Much of the opportunity for making these investments has come about through the medium of scientific research, which we in the du Pont Co. believe in.

Successful industrial research undoubtedly creates new jobs. More than that, it creates new wealth in the form of new materials that are, necessarily, either better or cheaper than those they supplement or

displace, and usually are both. The result is a wider distribution of goods and a higher standard of living. Rarely is research successful except through patient, sustained work over a period of years, during which substantial sums must be expended long in advance of any hope of return.

Research demands long-term planning. Current outlays of money for its needs are aimed, in the main, at 5, 10, or 20 years hence. Du Pont employment in 1937 was what it was, not because of that year's research, but because of money spent on research in 1932, 1930, and earlier. In line with long-established policy, this form of insurance on the future has been held intact by du Pont management regardless of the ups and downs of sales charts. How such a policy affects employment can best be clarified by citing actual examples.

A. AMMONIA PRODUCTION

The du Pont Co. entered the fields of manufacture of chemicals by high-pressure synthesis in 1926, commencing with the fixation of atmospheric nitrogen for the production of ammonia. This was done by the purchase of a process that had been developed in France. A plant was built at Belle, W. Va., involving a large initial investment of capital.

If we had been making shoes or suspenders, we might reasonably have expected some return on our investment at the end of a year or two of operation. What actually happened, however, was that for the next 7 years the Belle plant became to all intents a laboratory of constantly expanding proportions. A vast amount of technical knowledge had to be acquired that could be gained only through actual operating experience. Early costs were prohibitively high. The process of manufacture finally evolved bore little resemblance to the process we had bought, except in its fundamentals, and it was not until the eighth year, 1933, that the operation began to show profit. To date our capital investment has been increased 10 fold. Large volume was the only road to profit, and, in turn, the one road to large volume was low price.

In following these twin highways, the engineers and chemists effected five successive price reductions that brought down the cost of ammonia 40 percent in 7 years. The price thus established in 1933 has held since, despite increases in both labor and raw materials costs, with the result that industrial users and fertilizer manufacturers are today paying only half as much for fixed atmospheric nitrogen as they did for the imported natural product prior to 1914. American producers are selling nitrogen for less per pound than any other producers in the world.

Take another example:

B. NEOPRENE

Perhaps the most outstanding of all du Pont research developments, both from the scientific and economic viewpoints, is the rubber-like material to which has been given the name neoprene. Unlike rubber in chemical composition, neoprene is an entirely new engineering material that fits into no existing classification. It looks like rubber, acts like rubber, serves where rubber serves, and for innumerable uses it will outlast rubber by many times. The basic raw materials from

which it is made are coal, limestone and salt, which we possess in abundance.

Research that led our chemists to neoprene began also in 1926. Almost 6 years of intensive work preceded the initial manufacture of their discovery on a small scale at Deepwater Point, N. J. And until the end of the year just closed, neoprene was produced at costs considerably in excess of its selling price, which was first $1.05 per pound, then $1, and then 75 cents as volume was progressively increased. Recently our chemists and engineers have been talking hopefully of neoprene's first profits—I said hopefully. Also they are talking, hopefully, of making a substantial addition to their present plant facilities. More than 200 manufacturers, including practically all of the principal producers of rubber goods, used neoprene in 1937, mainly for purposes that rubber itself could not serve satisfactorily, if at all.

C. CELLOPHANE

Research may serve employment as importantly by improving an existing product as by discovering a new one. Striking example of this fact is found in "Cellophane" cellulose film. When introduced in America by du Pont, in 1924, through the purchase of the French patent rights, "Cellophane" was a product with a limited field and many faults. However, when research had found ways to render "Cellophane" moisture-proof, to strengthen it, and otherwise to adapt it to the needs of merchandizing, the new transparent wrapping material became a factor of first rank in all packaging. It inspired betterment of all wrapping materials, regardless of what made, and, significantly, more than paid its way by reducing losses suffered in many types of goods through spoilage and handling. The price history of "Cellophane" is one of 18 successive reductions from $2.65 a pound to an average of about 41 cents a pound in 1936. This was increased by one-half cent last year. Since moisture-proofing was added in 1927, production has increased almost fifty fold.

I believe I have already indicated that the du Pont organization as a whole employed about 10,000 persons more on December 31 last than were employed by it 9 years ago. It is my carefully considered opinion that to research efforts such as those I have outlined are due more credit for the gain in jobs than any other one contributing factor.

Moreover, in any estimate of the effect research has had on employment over this period, consideration must be given to the fact that general business was below a normal level. What the same effort might have accomplished under conditions more favorable is something on which we can't even speculate. We do know, however, that at the peak of du Pont employment last year we were 19,000 jobs ahead of the 1929 monthly average. The estimate has been made, I believe, that for every one man put to work in manufacturing industry, two and a half jobs are created in the so-called service occupations. If this is correct, the gain of 19,000 of du Pont companies was responsible for the employment of 47,500 persons elsewhere, making an over-all gain of 66,500 new jobs.

We can be prosperous only by serving better the diversified industries of America which use our products. We can hope to make a return on our investment only by continually developing new things for better living, which will on the one hand utilize the raw materials

from farms, forests, and mines, and will on the other hand help other industries to employ more people and contribute to a higher economic development.

CAUSES OF RECESSION

Perhaps I have already indicated from the points made and the figures given some of my thoughts upon the present situation. At any rate it seems to me that some of the components in the present fog are uncertainty as to the amount or type of taxes, the fear of higher prices due to the steadily increasing public debt and the uncertainty as to the future value of money, the unprecedented number of strikes last year, the fear of further changes in and the multiplication of the legal rules under which business must operate. These influences were cumulative in their effects last year, leading successively to some speculation in commodities, doubts, loss of confidence, decline.

The capital-gains tax undoubtedly has the effect of deterring capital investment. If an investment proves successful, most of the profit goes to the Government. If unsuccessful, the individual bears all the loss; the investor hesitates to wager several to one on a venture attended with such risk. The undistributed-profits tax inhibits the reinvestment of earnings of a corporation. If it turns in its need for capital to the investor public, it encounters today a lack of venture money. It cannot prudently use bank loans, which are short-time money. Change of law with respect to these and certain other taxes, together with the simplification of the tax structure, would relieve management of some of the present worries, and give greater confidence for the future.

One of the greatest requirements of the present situation is industrial peace, effective cooperation of management, and wage earners. This, however, will not be best attained by complicated new legislation. The tremendous progress during our lifetime in increasing wage rates and in shortening the working day has been effected under the American competitive system and by the advance in public opinion.

Further, I believe that business will recover only in an atmosphere of confidence in private industry, a wider understanding that the main burden of reemployment must fall on industry, not on Government. That recovery only comes about by a greater production and consumption of goods and services. The dissemination of this atmosphere should be fostered. Business must reassure the public that its services are essential, that it is in the aggregate, simply the way in which almost all of us make a living, and that farming, manufacturing, commerce, finance, and labor are interdependent. Government and business should take counsel together in a spirit of forbearance and cooperation.

The CHAIRMAN. I would express hearty accord with the last statement.

Mr. DU PONT. Thank you.

The CHAIRMAN. I did not want to interrupt you during the reading of the statement, but as you read there were several questions that occurred to me. You stated, first, that at the end of 1937 your pay roll was 40 percent higher, your taxes were higher, and your materials were higher. How about your prices?

Mr. DU PONT. I gave the figures as to our prices. They were just about the same level as in 1933.

The CHAIRMAN. In 1933——

Mr. DU PONT. As measured by the indexes.

The CHAIRMAN. Measured by the indexes the 1933 prices were lower. Therefore, I would like to know how, with taxes higher, pay rolls higher, materials higher, and volume less, you had lower prices, and yet made profits.

Mr. DU PONT. You say the volume was less?

The CHAIRMAN. I thought you said somewhere in the statement that the volume of sales was less.

Mr. DU PONT. In 1937?

The CHAIRMAN. Decreased toward the latter part of the year, certainly.

Mr. DU PONT. It was about the same as 1929.

The CHAIRMAN. What is the explanation of your ability, then, to maintain your earnings, maintaining practically the same prices, and yet having to pay these increased costs?

Mr. DU PONT. I think the general explanation is improved efficiency.

The CHAIRMAN. That being true, it would follow that it ought to be possible in other industries besides the field in which you are engaged?

Mr. DU PONT. Senator, I cannot answer as to that.

The CHAIRMAN. You have set forth that in your industries there is the important factor of research, and the varying or fluctuating prices after a new product is placed on the market, and that after you have had the experimental stage you have been able to reduce the price, and yet make a profit. Would that be possible in the average business, where they were not putting new products on the market, as the du Pont Corporation is doing?

Mr. DU PONT. Senator, I hesitate to make any statement with respect to an industry with which I am not at all familiar.

The CHAIRMAN. You would be familiar, for instance, with a mail-order house. You would not expect a mail-order house to have the same opportunity, would you?

Mr. DU PONT. Senator, I have never even been employed by a mail-order house.

The CHAIRMAN. You know nothing about any corporation that you have not been employed by?

Mr. DU PONT. No. I know a little of some others.

The CHAIRMAN. I did not think you meant that. You would have some ideas about some businesses other than the one you are particularly engaged in.

Mr. DU PONT. Senator, I have been employed all of my life by the du Pont Co. I do not want to speak for anybody else.

The CHAIRMAN. You have no views about the effect upon any other business at all?

Mr. DU PONT. I would not want to express it.

The CHAIRMAN. Taking as true that you know nothing except about the du Pont Co.'s business, I will ask you solely as to that corporation. In a speech that you made you stated, as I recall it, that a survey had found that it cost about $8,000 to put a man to work. Is that right?

Mr. DU PONT. In industry—manufacturing industry.

The CHAIRMAN. That is, of course, outside the du Pont business.

Mr. DU PONT. That survey covered a number of different industries, I think, Senator.

The CHAIRMAN. How many industries—a few or a large number?

Mr. DU PONT. I think it covered something over 100 different corporations.

The CHAIRMAN. You estimated, or the survey to which you referred, I assume, with approval, estimated that it would cost about $25,000,000,000 to put 3,000,000 men to work in new jobs?

Mr. DU PONT. That is the same ratio; about $8,000 each.

The CHAIRMAN. You did not state it in the speech, but in this statement I notice you did say that for every man put to work in a new industry, in manufacturing, there would be approximately 2½ men in the service industries. Were you figuring on the 3,000,000 because of the belief that it would possibly provide for taking up the slack in unemployment at this time?

Mr. DU PONT. Well, at the time that statement was made I think 3,000,000 persons was what was recognized as the requirements for industry to take up.

The CHAIRMAN. That the number who would be employed in the service industries, plus the 3,000,000 in the manufacturing industries, would about care for the unemployment situation?

Mr. DU PONT. At that time; yes, sir.

The CHAIRMAN. To do that, however, you estimated that it would take $25,000,000,000?

Mr. DU PONT. To employ the three billion—the three million, yes.

The CHAIRMAN. We get all confused about these millions and billions. $25,000,000,000 is a considerable amount of money to the average legislator who relies upon a salary check for the payment of hotel bills.

Mr. DU PONT. It looks like quite a bit of money to a manufacturer, too.

The CHAIRMAN. In your opinion, what is the possibility of inducing $25,000,000,000 of capital at this time to invest in industry?

Mr. DU PONT. Of producing it?

The CHAIRMAN. Of inducing capital to invest $25,000,000,000 in industry to create 3,000,000, jobs.

Mr. DU PONT. If I understand you correctly, Senator, your question is, what are the prospects of inducing the owners of that much capital to invest it?

The CHAIRMAN. That is right.

Mr. DU PONT. I think the prospects are good if they can see a return on their investment.

The CHAIRMAN. Of course. I agree that you cannot expect any man to invest any money in any industry unless he sees some hope of a profit, and unless investors do see that profit, then they will not invest, and will not provide jobs, and the burden will thus be upon the Government to provide jobs. That is why I am asking you as to what possibility you see at this time of inducing investors to put $25,000,000,000 into industry, which would give 3 million jobs, and, also, the additional jobs in the service industries.

Mr. DU PONT. I think the prospects of the owners of that capital investing it are very good, but before you invest the capital you have to create it.

The CHAIRMAN. Well, I will ask, then, as to what is the opportunity of creating it?

Mr. DU PONT. I am not an economist, Senator.

The CHAIRMAN. No.

Mr. DU PONT. I am just giving my personal views on this point, but I do not think you can create capital except by saving.

The CHAIRMAN. You see no possibility of creating it except by saving?

Mr. DU PONT. Of creating capital; yes, sir. I mean venture capital. You get the difference between venture capital and borrowed money? You may be able to create credit, which is borrowed, but that is not venture capital.

The CHAIRMAN. As a matter of fact, in the great industries, how many of them have expanded without borrowing?

Mr. DU PONT. Why, I think very few expand without borrowing at some stage. I know that in our own company we have borrowed at times.

The CHAIRMAN. I suppose you have borrowed less than the average capital?

Mr. DU PONT. I could not say as to that.

The CHAIRMAN. Certainly as to industries generally, it cannot be hoped that without credit and without borrowing they could expand to any great extent, can it?

Mr. DU PONT. I think that borrowed money is generally used for temporary capital needs; seasonal needs, for instance. But venture capital, that which is required for investment in new enterprise, to create new jobs—I do not think that can be safely done on borrowed money.

The CHAIRMAN. Where do you see the possibility of investing this $25,000,000,000.

Mr. DU PONT. Well, it must come from somebody's savings.

The CHAIRMAN. $25,000,000,000 from the savings of the corporations themselves, or from the people from whom the corporations borrowed?

Mr. DU PONT. Well, I think it would be either, or both, rather.

The CHAIRMAN. Both. What can Congress do? We get lots of advice and suggestions, and sometimes criticisms. What can Congress do in the way of legislating to encourage investors to invest this $25,000,000,000 and to provide, thereby, 3,000,000 jobs?

Mr. DU PONT. Senator, I do not like to sit here and tell you gentlemen what you ought to do. I have never sat in Congress at all.

The CHAIRMAN. I know——

Mr. DU PONT. I fully appreciate——

The CHAIRMAN. I know that today you are unwilling, apparently, to express an opinion about any business other than your own, and you are unwilling to express an opinion about the business of Congress, but in the speech that you made you did undertake to say some things about taxes. Have you forgotten that?

Mr. DU PONT. No, but, Senator, I was not talking to a group of Senators, then.

The CHAIRMAN. You talk one way out in the country and another way here?

Mr. DU PONT. I think maybe in that case I knew as much of the subject as the audience did, but I do not admit that here.

The CHAIRMAN. As long as you think you know as much as the other fellows, or more than the other fellows, you will talk freely.

Mr. DU PONT. Yes. There is safety in that. But, seriously, coming to your question, I can tell you——

The CHAIRMAN. I wish you would. I do not think you mean to say, discussing that question as you do in public, and certainly in private, that when we come in and ask you if you have a suggestion to make, that that would be too much. You would not say that you have no suggestion to make and are unwilling to voice any opinion at all?

Mr. DU PONT. No. I do not think that would be the proper attitude to take.

The CHAIRMAN. Of course, I will admit that if you have no opinion about anything other than the du Pont Co.'s business, I would not ask you any more questions.

PSYCHOLOGY OF UNCERTAINTY

Mr. DU PONT. I think the thing that Congress might do is to consider such legislation as will tend to dispel this fog of uncertainty. Uncertainty is, perhaps, as bad as the actual hampering of industry, because it affects the mental attitude of the industrial management. If they are uncertain as to what is going to happen they are afraid to go ahead. If you could accomplish something by legislation that will clarify the existing law and will make it perfectly evident to the layman, let us say, what the law means, or if you will even go so far as to make the law clear beyond question, to an attorney, you will be doing a good job. There are many of our present laws that our legal advisers admit they do not know what they mean.

The CHAIRMAN. We are not responsible for your legal advisers.

Mr. DU PONT. No, but I certainly cannot tell what they mean; yet I must be guided by those laws.

The CHAIRMAN. Yes.

Mr. DU PONT. I cannot tell what they mean. If you could just do something to clarify them.

The CHAIRMAN. What law, for instance?

Mr. DU PONT. I do not know that I can give you specific examples.

The CHAIRMAN. Then they cannot be bothering you much.

Mr. DU PONT. I cannot agree to that.

The CHAIRMAN. Then if it interfered with you to any great extent——

Mr. DU PONT. I think the law that has come to my attention most from the standpoint of the uncertainty of its meaning, is the Robinson-Patman Act.[1]

The CHAIRMAN. That has interfered with your industry?

Mr. du PONT. No. I could not say that it has interfered with it as much as with some others, but it is an example of a law that is so drawn that the layman cannot tell what it means.

The CHAIRMAN. All right. Are there any others?

Mr. DU PONT. Well, the corporation tax laws are quite uncertain on many points.

The CHAIRMAN. All tax laws, necessarily, are complicated in their drafting. You have never known any time since the income-tax law went into effect that it was not difficult for the individual to know exactly the effect of the tax upon his income, have you?

[1] Anti-trust Act of 1914 Amendment, June 19, 1936. St. L., 1526.

Mr. DU PONT. I check that statement of uncertainty 100 percent.

The CHAIRMAN. Therefore, through the years, with the best advice in the Treasury, under all administrations, it has remained difficult for the layman to understand the complicated provisions of the tax law.

Mr. DU PONT. It is very difficult.

The CHAIRMAN. While on that point, though, you stated a moment ago that you did not want to express an opinion, as a matter of fact, in this statement of yours you have expressed an opinion—I thought that would be your answer—that the capital gains tax affected the willingness of capital to invest at this time.

Mr. DU PONT. I think it does.

The CHAIRMAN. Let me understand your objection to it; your thought about it. Do you object to the levying of any tax upon a capital gain, or is your objection only that while gains are taxed, that the investor is not given the right to deduct losses?

Mr. DU PONT. To my mind, that is, obviously, an unfair provision; that you pay a tax on a gain, but do not get a reduction in your tax by virtue of a loss.

The CHAIRMAN. I agree. That is my view of it, but I am asking you this; whether you say that gains should not be taxed? In other words, if I buy a piece of property down here on Pennsylvania Avenue, and by reason of the construction of one of these Government buildings, it increases greatly in price, and I sell it, and I make a profit, should I be made to pay a tax upon that gain?

Mr. DU PONT. Senator, you are getting me into a field that I have not prepared myself to discuss.

The CHAIRMAN. That is only a simple question, as to whether, if you are taxing income and profits, you should consider as taxable a gain that I make on that real-estate transaction. I think you should, and I think, in the same way, if you sell stock that you purchased, at a profit, you should pay upon the gain, and if you suffered a loss in the same year you should be permitted to deduct that loss. Do you disagree with that?

Mr. DU PONT. Your argument sounds reasonable, but if you are considering the matter entirely from the stand-point of the effect on the real-estate business, there can be no question that a tax on a capital gain on real estate tends to hamper the real-estate business.

The CHAIRMAN. I put it on real estate just as an illustration. I am simply asking you whether in your complaint about the capital gains taxes you mean that there should be no tax at all levied on gains, or whether you believe that if you are taxing gains you should permit a deduction of losses. Which do you mean?

Mr. DU PONT. Well, I did not think that I was complaining of the capital-gains tax, in toto.

The CHAIRMAN. You said:

> The capital-gains tax undoubtedly has the effect of deterring capital investment.

That is what you said. Is that right?

Mr. DU PONT. Yes.

The CHAIRMAN. Then are you opposed to it, or are you in favor of it?

Mr. DU PONT. From the standpoint of promoting capital investment I am, of course, opposed to it, but I recognize, Senator, that there are many things to be considered besides the effect on invest-

ment of capital when you pass a tax bill. My position does not permit——

The CHAIRMAN. We are interested in capital investment—the country is interested——

Mr. DU PONT. I think so.

The CHAIRMAN (continuing). In investors investing their capital today in industry. You say this is one of the things that Congress could do; that it is a deterrent; and that is all that I am asking your opinion about.

Mr. DU PONT. I did not think I said what Congress should do at all.

The CHAIRMAN. No. You say that it has the effect of deterring capital investment.

Mr. DU PONT. Yes.

The CHAIRMAN. But you would not want Congress to remedy it, then?

Mr. DU PONT. I would not want what?

The CHAIRMAN. You would not want it remedied, or you would not want Congress to remedy it; I don't care which you say.

Mr. DU PONT. From the standpoint of investors, I would like to see Congress remedy it, but I realize that there are many other factors that Congress must consider.

The CHAIRMAN. Then you would not make a recommendation as to whether you would repeal it or modify it at all?

Mr. DU PONT. No, because I am not qualified to judge the value of any legislation.

The CHAIRMAN. You said:

> The undistributed profits tax inhibits the reinvestment of earnings of a corporation.

Would you make any suggestion on that to Congress?

Mr. DU PONT. Well, again, you are getting me off, so to speak——

The CHAIRMAN. All right. Then you said that you would not recommend that Congress do anything about the labor situation.

Mr. DU PONT. Well, the labor laws might be clarified to advantage.

The CHAIRMAN. I thought you said you thought Congress had better let it alone. How would you clarify it?

Mr. DU PONT. I think there are various provisions in the labor laws that are uncertain.

The CHAIRMAN. What, for instance?

Mr. DU PONT. The extent to which an employer can sound out the views of his employees and discuss their situation is rather indefinite. What is considered an unfair labor practice is rather hazily described, I think.

The CHAIRMAN. Have you had any difficulties with your organization?

Mr. DU PONT. With what?

The CHAIRMAN. Have you had any difficulties with your employees as to those features of the law?

Mr. DU PONT. We have had no labor troubles.

The CHAIRMAN. You have had no labor troubles?

Mr. DU PONT. No.

The CHAIRMAN. Then those provisions of the law have not in any way injured your company?

Mr. DU PONT. We have been very careful to follow the law. We might have got along better if we had not been so careful.

The CHAIRMAN. If you had not been so careful in following the law you might have got along better?

Mr. DU PONT. If we had not been so cautious about violating what seemed to be the requirement of the law.

The CHAIRMAN. What were the earnings of the company last year, 1937, as compared with the previous year?

Mr. DU PONT. The earnings of the du Pont Co.?

The CHAIRMAN. Yes, per share.

Mr. DU PONT. I haven't any figures with me on that. Do not hold me to this figure.

The CHAIRMAN. No.

Mr. DU PONT. I think they were about $7 per share of common stock.

The CHAIRMAN. What were they for 1936?

Mr. DU PONT. In 1936?

The CHAIRMAN. Yes.

Mr. DU PONT. About the same figure, or a little bit less; say, maybe, $6; but please do not put those down.

The CHAIRMAN. Well, you——

Mr. DU PONT. I can get that for you. They are in published statements.

(Mr. du Pont subsequently notified this committee that "the correct figures for the 1936 earnings are $7.56 per share on the common stock.")

The CHAIRMAN. Certainly when you state it in that way it is considered only your best recollection and subject to correction when you have an opportunity to check it.

From your research division do you have in contemplation at this time any new product which would tend to afford some stimulus to the business situation at this time?

Mr. DU PONT. Our laboratories are continually evaluating new products.

The CHAIRMAN. You do not at this time have in contemplation anything in the immediate future that is of importance?

Mr. DU PONT. We have some very good things coming along.

The CHAIRMAN. It is impossible at this time to say when they will be on the market?

Mr. DU PONT. It is always impossible to say that.

Senator DAVIS. Did I understand you to say that your taxes in creased 211 percent?

Mr. DU PONT. I think that was from 1933 to 1937, wasn't it?

Senator DAVIS. Did that include the Social Security taxes?

Mr. DU PONT. I think so.

Senator DAVIS. I received a communication from a Mr. Buchanan, in Pennsylvania, with reference to the speech which you made at the Manufacturers Association, and he quoted you as saying that if only big business was given certain guaranties regarding labor relations, taxation, and other social legislation, that "big business" will assume the responsibility of expanding and providing for such additional jobs.

Mr. DU PONT. I thought that I said "industry" and not "big business," Senator.

Senator DAVIS. I am quoting you Mr. Buchanan's letter here.

Mr. DU PONT. I have not seen his statement.

Senator DAVIS. This Mr. Buchanan goes on and says that he thinks that your statement was a threat to the Government that if you did not have them you would not go on with the business.

Mr. DU PONT. No; I cannot see how anyone could read a threat into that. The figures I have given you this morning in our statement, indicating that our forecast calls for $35,000,000 investment during 1938 would rather dispel any idea of a threat to quit. We spent $50,000,000 last year. We are going to spend $35,000,000 more this year. I think we are playing ball.

Senator MURRAY. You have no fear, then, of the future prosperity of the country?

Mr. DU PONT. I cannot say that.

Senator MURRAY. You say you are going ahead planning on expending $35,000,000 in 1938. You anticipate, then, that business is going to be good, and you are planning for the future.

Mr. DU PONT. We hope that it will be, but we have not spent that $35,000,000 yet.

Senator MURRAY. But you are in the process of planning it?

Mr. DU PONT. Planning it; yes, sir.

Senator MURRAY. In your statement you say that your forecast for the first 6 months of 1938 is 23 percent less than the first 6 months of 1937. Upon what basis do you arrive at that?

Mr. DU PONT. The forecast?

Senator MURRAY. Yes.

Mr. DU PONT. It is a part of our regular system. We prepare a forecast every 3 months for the following 12 months. Our forecast as of January 1, 1938, has just been completed. The figures for those forecasts are brought in from the field, the salesmen, salesmanagers, and the general managers of the departments, and they are all brought together in the main office and the sum total of those forecasts in the field really go to make up the complete forecast of the company, with such modifications, if any, as the general manager feels should be applied.

Senator MURRAY. Other witnesses who have been here have told us that they anticipate an upturn in business this spring, and that they see no justification for this fear that has been talked about. Do you share in that view?

Mr. DU PONT. No. I can see considerable justification for fear because of the unusual dropping off of the volume of business in December.

Senator MURRAY. You have always had considerable fear, have you not, of all the policies of the present Government, right from the commencement? Is that not true?

Mr. DU PONT. Personally, yes.

Senator MURRAY. Notwithstanding the fact that, as a result of the policies of the present Government, there has been a tremendous upturn in business, up to the spring of 1937?

Mr. DU PONT. I think that is true. There has been a very good upturn.

Senator MURRAY. You never expected that?

Mr. DU PONT. I did not expect it?

Senator MURRAY. Yes.

Mr. DU PONT. Not at that time. At what time do you mean?

Senator MURRAY. At all events, since the inauguration of the present administration you have always been fearful that the policies

of the present administration were detrimental to business prosperity in the country, have you not?

Mr. DU PONT. In the long run; yes, sir.

Senator MURRAY. Notwithstanding the fact that you have discovered that, as a result of the administration's policies, there has been a tremendous improvement in business conditions in the country.

Mr. DU PONT. For the 4 or 5 years, yes.

Senator MURRAY. There is nothing in the present conditions of the country that would justify any fear about the future.

Mr. DU PONT. I think there is. As I stated, our volume of orders fell off rapidly.

Senator MURRAY. Yes; but was not that due to the fact that there was a great increase in buying during the early part of 1937, due to the threatened rise in prices, and the danger that there were going to be greatly increased prices, and inventories were rapidly increased; and the natural result would be that the time would come when buying would drop off some. Isn't that true?

Mr. DU PONT. I do not know about that, Senator.

Senator MURRAY. Those have been the views of most of the other witnesses we have had here, so far.

Mr. DU PONT. I have not had the advantage of hearing them.

Senator MURRAY. You have not given any close study to that?

Mr. DU PONT. No, sir.

Senator MURRAY. You are greatly in favor of industrial planning for the future?

Mr. DU PONT. Certainly; in the long run.

Senator MURRAY. You find that new products which are developed create greatly increased employment and increased business.

Mr. DU PONT. Yes, sir.

Senator MURRAY. Do you think that the same system should be applied to the Federal Government; that they should plan in advance for matters pertaining to the Government?

Mr. DU PONT. Certainly.

Senator MURRAY. You are familiar with the present Government's planning with reference to national matters, such as development of our water resources and the great amount of money being spent along those lines?

Mr. DU PONT. No; I cannot say that I am very familiar with them, Senator.

Senator MURRAY. But you believe in expert study of those problems, do you not?

Mr. DU PONT. Well, I do not know that I altogether get your point.

Senator MURRAY. You believe that it would be advantageous for the Federal Government to apply the same principles to Government spending as business?

Mr. DU PONT. Oh, yes; certainly, in the Government's business; yes, that is true, certainly. I am in favor of expert handling of all problems. Is that what you mean?

Senator MURRAY. Yes.

Mr. DU PONT. Yes.

Senator MURRAY. You have no objection to the Government employing experts to study those problems and plan for the future?

Mr. DU PONT. On Government problems; yes. Are you getting at the question of whether I think the Government should plan for industry?

Senator MURRAY. Oh; no.

Mr. DU PONT. Because I do not like that; and I do not want industry to plan for Government, either.

Senator MURRAY. You spoke about venture capital a short time ago. You distinguish venture capital from ordinary capital. Venture capital, as you see it, is capital that is made by speculative investment?

Mr. DU PONT. Senator, you bring up a question that I have heard discussed a great deal, as to what is speculation.

Senator MURRAY. You spoke of venture capital. What do you mean by venture capital?

Mr. DU PONT. By "venture capital" I mean that capital which will go into an enterprise and not expect an immediate return, but will take its chances on getting an ultimate return.

Senator MURRAY. From where does that kind of capital come?

Mr. DU PONT. It will come, originally, from savings, but my judgment is that venture capital must be supplied, either by aggregations of wealth, or wealthy persons, because it is only the persons of reasonable wealth who can justify taking the risk of the venture. Do I make my point clear?

Senator MURRAY. Yes. You approve, of course, of paying taxes on the profits that are made in industry. When your industry makes a profit you think that it is just for the Government to tax that profit?

Mr. DU PONT. Well, I have not thought that through very well, Senator.

Senator MURRAY. Of course. you know that, at the present time, you are paying taxes on profits?

Mr. DU PONT. Oh, yes; I am aware of that.

Senator MURRAY. You have not thought thoroughly on the subject of whether or not that is reasonable and just, that you should pay a tax on such profits?

Mr. DU PONT. I confess that I have not thought it through, Senator, because the other side of the taxation has to be taken into consideration. That is, the necessities of Government must be met, and they can only be met by taxation.

Senator MURRAY. And the only kind of taxation, to be fair and just, would be taxation of profits; that is to say, the most reasonable and just form of taxation.

Mr. DU PONT. That sounds plausible, Senator, but I confess that I have not thought it through. The thing that seems to me to make it doubtful is how taxation of a profit, when the corporation makes it, avoids being a duplication of the tax on that same profit when the stockholder gets it. I can justify the taxation at either point, but it seems to me there must be some duplication of some kind when you tax the profit of a corporation and then you also tax it again when the stockholder gets it.

Senator MURRAY. You think, then, that if the corporation is taxed, the stockholder should not be taxed on his dividends?

Mr. DU PONT. No; that does not sound right, either. That is one of the problems that you gentlemen have to wrestle with.

Senator MURRAY. You have not given the subject very careful thought?

Mr. DU PONT. No; I have not. I confessed that at the start.

Senator MURRAY. Suppose the stockholder does not get it, and that you plough it back into your corporation in the way of increased

plant, and it increases the value of the stock, don't you think that should be taxed?

Mr. DU PONT. I have given even less thought to that.

Senator MURRAY. Notwithstanding the fact that you have given such little thought to that subject, you undertake to advise the people of this country, and to criticize the Government in some of these policies.

Mr. DU PONT. Now, Senator, you are going entirely too far in that statement.

Senator MURRAY. You say you have not given any careful study to this.

Mr. DU PONT. I know, but I do not think that I ever criticized the Government for that in the address that I made, or in any of my statements.

Senator MURRAY. I am not talking about that particular address. Isn't it a fact that ever since the inauguration of the present administration you have been opposed to the progressive policies of the administration, and have criticized it severely?

Mr. DU PONT. If I am going to answer that question you will have to tell me what the progressive policy is.

Senator MURRAY. If you do not know what the policies of the present administration are I do not see how you will be able to justly criticize them.

Mr. DU PONT. I do not think I have criticized them.

Senator MURRAY. You do not think you have?

Mr. DU PONT. No; not in my testimony today.

The CHAIRMAN. Let me ask you something about your own corporation.

Mr. DU PONT. I feel better on that ground, Senator.

The CHAIRMAN. We cannot get you to answer anything on any other ground, so I am forced to ask you on that. What proportion of your business during 1937 was export trade?

Mr. DU PONT. During 1937?

The CHAIRMAN. Yes.

Mr. DU PONT. I think it was around 5 percent, Senator.

The CHAIRMAN. Only 5 percent?

Mr. DU PONT. That is about right. I am sure it could not have been as high as 10 percent.

The CHAIRMAN. How did it compare with the previous year?

Mr. DU PONT. I think it was a little bit more, but practically the same thing.

The CHAIRMAN. Was it in any way affected by the armament policies of other nations?

Mr. DU PONT. By what polices?

The CHAIRMAN. By the armament policies.

Mr. DU PONT. Armament policies?

The CHAIRMAN. Yes.

Mr. DU PONT. No.

The CHAIRMAN. What did you do with reference to maintaining your schedule of hours during the latter part of the year? Did you maintain that schedule, or did you reduce the hours in order to share the work among a greater number of men?

Mr. DU PONT. Why, Senator, we compromised on that. We reduced the hours and we laid men off—both.

The CHAIRMAN. You found it necessary to lay them off?

Mr. DU PONT. We thought it was prudent management to do so.

The CHAIRMAN. In what schedules did you curtail hours?

Mr. DU PONT. We regard about 32 hours as the practical minimum. If we get much below that the workmen are justifiably dissatisfied, so we try not to get below 32 hours per week. At about that point our general policy is to spread the work. Of course, we lay off, first of all, any temporary employees who have been taken in for some particular job. We do not regard them as regular men, and we let them go first. After that we spread the work until at the plant in question we get around to 32 hours. Below that we feel that we must reduce the force.

The CHAIRMAN. Does the du Pont Co. own or control any corporations or companies in European nations that are engaged in manufacturing armaments?

Mr. DU PONT. Control any European companies?

The CHAIRMAN. Control or have an interest in any companies in Europe engaged in manufacturing munitions of any kind?

Mr. DU PONT. No, not at all. I was not prepared to speak on that. We have a very small stock interest in the German I. G., but I do not regard them as munitions manufacturers.

The CHAIRMAN. What are their products?

Mr. DU PONT. Chemicals, and a variety of products.

The CHAIRMAN. You say you have a very small interest. How large an interest?

Mr. DU PONT. I think perhaps a quarter of 1 percent of the stock.

The CHAIRMAN. When you reduce your wage schedule to 32 hours or less, does it affect the efficiency because of the starting and stopping factors—change of men, Mr. du Pont?

Mr. DU PONT. I do not think it does, materially; no sir. I presume there is some work in arranging schedules whenever they make a change at the plants, but I do not think that that is of any great consequence.

Senator LODGE. Is your company or industry affected by foreign competition?

Mr. DU PONT. Competition from abroad?

Senator LODGE. Yes.

Mr. DU PONT. Yes, in some lines.

Senator LODGE. Mr. du Pont, do you regard it as adequately protected against foreign competition at the present time?

Mr. DU PONT. I am quite sure there are lines where the protection is inadequate, but I cannot say they are lines where we have been affected.

Senator LODGE. You have a plant in Leominster, Mass.

Mr. DU PONT. That is the plastics division.

Senator LODGE. Hasn't that plant been affected by foreign competition, to some extent?

Mr. DU PONT. Yes, I think you are right; that has been. I had forgotten that. One of their products is small dolls.

Senator LODGE. Celluloid dolls?

Mr. DU PONT. Small articles made of celluloid, and the competition from Japan at this time is very keen.

Senator LODGE. Would the products of your company be affected by the proposed trade agreement with the United Kingdom, or have you had occasion to study those schedules?

Mr. DU PONT. I do not know that. I have not studied that.

Senator LODGE. Thank you.

The CHAIRMAN. On that line, do you import materials that enter into paint, for instance?

Mr. DU PONT. Yes, we import substantial quantities of a number of materials.

The CHAIRMAN. That are in competition with local products?

Mr. DU PONT. Well, they supplement local products. Mostly they are products that are not produced in sufficient quantities in this country?

The CHAIRMAN. Such as ilmanite?

Mr. DU PONT. That is a very good example. There is none in this country of the same quality as exists in India.

The CHAIRMAN. It is produced in Virginia, is it not?

Mr. DU PONT. That is a different quality of ore, entirely.

The CHAIRMAN. It is not suitable for your purposes? Is that correct?

Mr. DU PONT. It is not as good for our purposes as the Indian ore.

The CHAIRMAN. Is it more expensive than the Indian ore which you import?

Mr. DU PONT. I am not sure about that, Senator. My impression is that it is more expensive, if you are going to make the same high quality of finished product, but you can take this lower grade of ore and make a pigment out of it cheaper than you can out of the Indian ore.

The CHAIRMAN. What you do is that you buy the product that suits your purposes best for the lowest amount?

Mr. DU PONT. Certainly. The prime consideration is to get the right material. We do not pay any more for it than we have to.

Senator MURRAY. Do you enjoy a substantial foreign business?

Mr. DU PONT. Export?

Senator MURRAY. Yes.

Mr. DU PONT. It is very small compared to the rest of our business. I think it is around 5 percent of the total.

Senator MURRAY. Mr. du Pont, you believe in the development of our foreign trade?

Mr. DU PONT. Certainly.

Senator MURRAY. You have no criticism of the present trade policies of the Federal Government?

Mr. DU PONT. Well, I would not go so far as to say that.

Senator LODGE. It would be just as well if they did not send in any more Japanese celluloid dolls, would it not, Mr. du Pont?

Mr. DU PONT. Senator, I do not think that is quite a fair question. If they make better dolls over there than we make over here, then I am perfectly willing to see them ship them in here, and let our children have the better of the two.

Senator LODGE. There are only two ways to handle it. One is to have tariff protection and keep the wages of the American workmen up; and the other is to cut the wages of the American workmen down to the Japanese scale.

Mr. DU PONT. That is the theory of protective tariff.

Senator LODGE. None of us want to cut the wages of the American workmen down to the Japanese scale, do we?

Mr. DU PONT. I think the protective-tariff theory is a sound one.

Senator LODGE. Coming back to that factory in Massachusetts making celluloid dolls, we do not want to cut their wages down to the Japanese level, and yet we want them to keep their employment.

Mr. DU PONT. Yes, sir.

Senator LODGE. Therefore, in that respect the protective policy of the administration is not adequate.

Mr. DU PONT. I think that is probably true at the moment, but you must bear in mind another matter, that the situation is rather unusual, I understand, with respect to exchange. The inadequacy of the tariff may be temporary. I don't know.

The CHAIRMAN. Is it your idea of a protective tariff that it shall absolutely exclude all foreign-made goods, and that we shall have no trade—no imports?

Mr. DU PONT. No. I do not think I am an isolationist. Isn't that what you call them?

The CHAIRMAN. I don't know. They are called all sorts of names.

Senator LODGE. They are called worse than that.

The CHAIRMAN. Yes; they are called worse than that. However, I am not taking you into the tariff.

Mr. DU PONT. I am thankful for that.

The CHAIRMAN. I am trying to keep you to the du Pont Co. because I have found that you would not answer on anything else.

Senator MURRAY. You are not afraid of international competition, so far as your business in this country is concerned?

Mr. DU PONT. In some products it has put us out of business entirely.

Senator MURRAY. But, as a general proposition, you are capable of maintaining your industry here, regardless of the threat of foreign competition?

Mr. DU PONT. I think that if all of our tariffs were wiped out, we would be in a pretty bad shape.

Senator MURRAY. You believe in a careful and sound policy of negotiating international trade agreements to protect American industry, and to protect, as far as possible, industries in this country from the results of foreign competition?

Mr. DU PONT. The first requirement, in my estimation, is the protection of our American labor. I do not see how you can do that without a tariff.

Senator MURRAY. Of course, the present system of negotiating trade agreements with foreign countries recognizes that.

Mr. DU PONT. Well, I am afraid you are getting me into something that I do not know much about, but I do not see how a reciprocal tariff agreement can be consistent with the principle of protection, do you?

Senator MURRAY. Of course, if you do not believe in reciprocal trade agreements, you would, then, be in favor of having tariffs, and having no foreign trade at all.

Senator LODGE. I do not think that is the choice at all.

Mr. DU PONT. No. My thought was more of an abstract one; the principle of the two things—protective tariff, on the one hand, and

reciprocal trade agreements, on the other hand. To my way of thinking they are inconsistent.

Senator MURRAY. Of course, we cannot expect to sell abroad our surplus products in this country unless we are willing to also purchase from abroad.

Mr. DU PONT. That sounds plausible.

Senator MURRAY. There is no way that we can maintain international trade unless we trade with foreign countries.

Senator DAVIS. You cannot keep the American workers at work, either, if you are going to admit foreign competition, to take their jobs away from them.

Mr. DU PONT. No. I think that is the theory of protection. You have the idea right.

The CHAIRMAN. I am glad that you agree with one man.

Senator DAVIS. I do not believe in delegating the power to one or two men to fix the tariff either. I believe that the Congress should fix it.

Mr. DU PONT. I think you are right, again.

The CHAIRMAN. You would exclude all imports, then?

Mr. DU PONT. No, sir.

The CHAIRMAN. How much would you admit?

Mr. DU PONT. I know that I am in danger now——

The CHAIRMAN. You would exclude anything that competes with the du Pont Co., anyway?

Mr. DU PONT. No, sir.

The CHAIRMAN. You would not exclude the Japanese dolls?

Mr. DU PONT. I certainly would not exclude them if they are of better quality.

The CHAIRMAN. Would you say the same as to anything else, or just as to dolls?

Mr. DU PONT. I think anything produced elsewhere in the world of better quality; that we ought to have the advantage of that material.

The CHAIRMAN. And you think that the Japanese dolls are of better quality?

Mr. DU PONT. If they are.

The CHAIRMAN. Are they?

Mr. DU PONT. I do not think they are.

The CHAIRMAN. You do not think they are?

Mr. DU PONT. No. But I am not a child.

The CHAIRMAN. Then you would exclude them because you do not think they are?

Mr. DU PONT. Somebody else may think so.

The CHAIRMAN. You will accept the other fellow's opinion, instead of your own?

Mr. DU PONT. Yes; if the other fellow is going to buy them.

The CHAIRMAN. If he is going to buy them?

Mr. DU PONT. Yes.

The CHAIRMAN. Will he buy them?

Mr. DU PONT. That is his affair, and not mine.

The CHAIRMAN. If you are a competitor it is yours, too?

Mr. DU PONT. A competitor of ours in this doll business?

The CHAIRMAN. If you were a competitor it would affect you, too, would it not?

Mr. DU PONT. I think it would.

The CHAIRMAN. Thank you.
Mr. DU PONT. Is that all of me, Senator?
The CHAIRMAN. Yes.
(Witness excused.)
The CHAIRMAN. Dr. Murchison.

DR. CLAUDIUS T. MURCHISON, PRESIDENT OF THE COTTON-TEXTILE INSTITUTE, INC.

The CHAIRMAN. You are President of the Cotton-Textile Institute?
Mr. MURCHISON. That is right, Senator.
The CHAIRMAN. In response to the invitation to appear before the committee I notice you have a prepared statement Do you want to read all of that statement? If, so I wish you would read it at this time. If you do not intend to read all of it I would like to know your purpose so that we may be governed accordingly.
Mr. MURCHISON. Senator, I would appreciate the privilege of reading the statement.
The CHAIRMAN. Go ahead, then.
Mr. MURCHISON. For the cotton-textile industry the first 6 months of 1937 represented the crest of the recovery period. All previous records of output were surpassed and previous employment records equaled. Full-time employment was being provided to approximately 460,000 workers, and cotton was being consumed at a rate in excess of 8,000,000 bales per year. The average weekly pay roll was approximately $6,700,000, or an annual rate of nearly $350,000,000.

In 1932, which was the trough year of the depression, the industry employed only 300,000 workers, consumed only 5,000,000 bales of cotton, and had a pay roll approximating only $170,000,000. Since that time, with the exception of a slight setback which occurred in 1934, the trend of physical activity has been steadily advancing. In 1936 the industry had a physical volume of business substantially the same as that enjoyed in 1929 and for the first time seemed to be emerging from a tragic 6-year period of heavy financial loss and staggering insolvencies. The brief period of real prosperity in 1937 was, therefore, unique and represented an experience which had not been enjoyed by the industry since 1927 which was the last year in which volume and prices had combined in such a way as to create real prosperity.

40-HOUR WEEK ADOPTED

During the recovery period from 1932 to 1937, the outstanding events were the enactment and administration of the National Industrial Recovery Act and the Agricultural Adjustment Act. These went into effect almost concurrently in the summer of 1933. Under the National Industrial Recovery Act the cotton-textile industry inaugurated code No. 1. Under this code hours of labor in the industry were reduced from approximately 55 hours per week to 40 hours per week. The hourly wage rate was increased from 23 cents per hour to 36 cents per hour.

Coincident with these radical changes in the employment practices of the industry was the imposition by the Agricultural Adjustment Act of a processing tax on cotton amounting to 4.2 cents per pound. Thus within a few short weeks the industry experienced abruptly an

increase of 80 percent in its labor cost and an increase of approximately 90 percent in its raw material cost.

As regards the fundamental objectives of the N. R. A., the industry was at that time and still is in full sympathy with them. The N. R. A. fell into disrepute for a reason wholly apart from these fundamental objectives and which need not here be discussed. After the invalidation of the N. R. A., the industry voluntarily reaffirmed its faith in the salient principles and has continued to observe them in the operation of approximately 85 percent of its spindles and looms.

An overwhelming majority of the industry believe in the social and economic desirability of the 40-hour work week for individual employees; of the 80-hour per week limitation on the operation of machinery; of the elimination of the employment of all persons under the age of 16, and of the payment of an hourly wage rate not less than the minima provided in the code. The truly constructive features o the N. R. A. have left upon the industry a permanent imprint.

PROCESSING TAX

The Agricultural Adjustment Act touched the industry deeply only with the processing tax. This tax was probably the greatest single deterrent to prosperity which the industry had to face and overcome during the difficult years from the birth of the tax to its death.

It placed the industry at a great disadvantage in its relationship with competitive fabrics, materials, and fibers. It created the impossible task of allocating equitably the burden of the tax to the thousands of varied products which constitute the output of the industry. Imposed as it was upon the first processor, it represented a large item of cost which in subsequent transactions with weavers, converters, wholesalers, garment manufacturers and retailers was pyramided to a figure far in excess of the original assessment before it reached the hands of the final consumer.

The industry could not successfully pass this tax on to the public without placing its products at such a market disadvantage as to destroy consumption. The restrictive effect on consumption in turn could serve only to depress the price of raw cotton. Thus, even in theory, it is the type of tax which defeats the very purpose that it is supposed to serve.

In actual practice the industry itself absorbed the greater part of the tax which is probably the chief reason why the year 1935 was for the textile industry as a whole a year in which profits were less than 1 percent, and a year in which cotton consumption failed to reach the level justified by the general state of business. The year which followed the invalidation of the processing tax witnessed an increase in cotton consumption of 1,400,000 bales. The industry's experience with this tax was bitter and tragic. The only compensation therefrom is the lesson which it provides for the future.

Coming into the year 1937, the industry felt, justifiably, that its newly captured prosperity had been well won. During the years which lay behind, it had first embraced and then wrestled with the practical realities of the Government's regulation of business. Virtually every phase of business had met the impact of the State. A baffling array of new conceptions of the function of government had been confronted and tested. Moreover, the industry had become more keenly aware

of the significance of its own relationship to society. It was socially and economically more alert alike to its obligations and its privileges, and knew as it had never known before the circumstances and conditions prerequisite to the maintenance of prosperity, stability, and public good will. The backward elements in the industry had, to a large extent, fallen by the wayside. Surplus and obsolete machinery had, to a large extent, been liquidated or scrapped. Business philosophy had been raised to higher standards and trade practices had been brought to a level of excellence hitherto unknown.

RECESSION OF 1937

But these well-earned materials as well as intangible satisfactions proved to be of short duration. The prosperity of the first half of 1937 was quickly superseded by the recession of the second half of 1937.

At the peak of activity in April and May 1937 manufacturers of cotton goods were employing 467,000 workers. By November the number employed had dropped to 399,000. Official employment figures for December are not yet available, but we know that a further decline occurred in that month. The Cotton-Textile Institute estimates that December employment did not exceed 390,000 and probably fell considerably below that figure. Of these a great majority were working on a part-time basis.

In April and May employment averaged 38.3 hours per week. The average in November was only 31 hours per week, and we estimate that in December it will be between 25 and 30 hours per week because of the 3-day schedule of many mills that was extensively practiced in that month.

Generally speaking, production activities at the end of the year were only about 50 percent of those prevailing in April and May. In other words, the work now being done provides employment for the equivalent of about 280,000 employees operating on a full-time basis. Computed in this fashion, December employment approximates 180,000 less than May employment.

A hurried survey of the extent and severity of the present recession has been made within the past few days in all of the more important textile States, and will be reported upon by other representatives of the industry who will appear before this committee. For the industry as a whole the pay roll dropped from an average of $7,500,000 a week in May to $5,300,000 a week in November; a still further decline occurred in December.

The explanation of the present severe recession in this industry may not be known in full, but it is possible to advance at least a partial list of reasons for its occurrence. About 40 percent of the output of cotton goods is consumed directly by other industries, such as the automobile industry, the tobacco industry, and many food industries. Any depressing influence on other industries, therefore, has an immediate repercussion upon the demand for cotton goods.

About 20 percent of the output of cotton goods goes into house furnishings and supplies. The demand for these articles is very responsive to the rate of residential construction. A slowing down of residential construction, reducing as it does the number of new homes requiring furnishings, reduces in proportion the demand for cotton goods of an appropriate character.

The remaining 40 percent of the output of the industry goes into personal consumption chiefly for apparel purposes. Reduced employment in other industries bringing about as it does a curtailment of the general purchasing power is reflected in a diminishing demand for apparel goods.

CAUSES OF RECESSION

This analysis, though brief, is sufficient to indicate that the stability of the textile industry is to a very large extent dependent on the welfare of other industries. Our first concern, therefore, is to look for causes which affect all industry. In this search for causes I think it very important not to confuse the manifestations or symptoms of recession with the original forces which have brought them about. It is not logical to say that the recession is caused by the failure of the construction industry or by the failure of the utilities to expand their investment operations. These are merely features of the recession as it is.

In times like this the search for causes of recession of prosperity inevitably leads one to examine first the policies of government relationship to business. Whether we like it or not it is an indisputable fact that American business sentiment is hypersensitive to all policies, actions and official utterances emanating from Washington. It is equally true that many of the business reactions proved to be ill-advised and unfounded. A highly pertinent and very important example of this was the inflation scare which pervaded the country during the last half of 1936 and the first half of 1937. The rising prices of agricultural commodities appeared to give semblance of truth to this doctrine of inflation which was the outgrowth of Government fiscal policy. People everywhere were told that the only protection against the evils of inflation was investment in consumable commodities and the ownership of actual equities in real property.

In consequence the prices of minerals and metals soon joined the upward march with agricultural materials. The accumulation of heavy inventories which took place generally and the placing of orders far in advance of actual requirement came to bear close resemblance to similar excesses which occurred in the genuine inflation period of 1919 and 1920. The undermining of this insecure market situation was made inevitable by the tremendous crops of 1937.

Just as agricultural prices had led the way upward, they continued in advance on the downward march, and the violence of their decline necessitated a rewriting of values throughout the entire price structure. All commercial buying stopped except for immediate needs; industry went on a hand-to-mouth basis; heavy inventory losses were suffered throughout the entire distributive system and by many manufacturers, and all ideas of inflation rapidly disappeared.

However, this sequence of events did not move forward unaided. Before the summer of 1937 was over it had become clearly evident that business had lost the sustaining influence of corporation expenditures ordinarily made for expansion and modernization purposes. Much of this loss was correctly attributed to the undistributed surplus tax. The downward momentum was accelerated by international fears and uncertainties. The Italian conquest of Ethiopia, the war in Spain, the Sino-Japanese conflict were but outward manifestations of a world-wide tension which threatened momentarily another World

War. Certainly no blame but only praise is due our own Government for the masterful way in which it has handled these international difficulties.

TEXTILE INDUSTRY HIGHLY COMPETITIVE

But, however dependent the textile industry may be upon the course of events wholly outside its own activities, its course is, to a large degree, shaped by circumstances which are uniquely its own. The industry is composed of more than 1,000 separate and independent units scattered all the way from Maine to Texas. No one of these units is sufficiently large to occupy a dominant or monopolistic position. In fact, no one unit of the industry represents more than 3 percent of the industry's total capacity. The industry is, therefore, intensely competitive and traditionally has been highly individualistic.

The bulk of its products are not sold directly to the consumer, but constitute the raw material for subsequent processor, such as converters, garment manufacturers, and interior decorators. Only a comparatively small percentage of mill products are sold under trademarks or brands or in such a way as to permit a continued identification of the goods. The greater part of its product, therefore, is sold on the open market on a price-quality basis.

The raw material which the industry uses fluctuates widely in price and supply. This fact together with the extremely sensitive character of the market for cotton fabrics makes for a very unstable price situation. In an industry such as this the individual unit is in no position to shape the character of its markets, to control prices or to exercise appreciable influence on production policies. Relative to these things its immediate responsibility is merely to adjust its policies and operations to the apparent requirement of whatever situation may exist.

During the last quarter of 1936 and the first quarter of 1937 four important bullish elements were as follows: First, cotton goods stocks throughout the country in the hands of final processors and distributors were at comparatively low levels. Second, the rising tide of general business occasioned an increase in the demand for cotton goods to meet the actual needs of the trade and at the same time necessitated an enlargement of stocks as a natural consequence of enlarged trade volume. Third, the price of cotton during this period was steadily rising and imparted a further stimulus to the desire of buyers to enlarge their holdings of cotton goods in anticipation of still higher prices. Fourth, the urge to buy was still further stimulated by increasing labor costs due to general wage increases granted in January of 1937, and again in March and April.

To these real and tangible forces making for production expansion and increased sales were added others of an intangible and psychological character. These were engendered partly by widespread strikes and labor difficulties in other sections of the country and in other industries which it was feared might become general.

Heightening still further the industry's fear as to the future of costs was the impending wage-and-hour legislation, which at that time was regarded as certain of passage, and which was expected to increase the cost of production materially. It will be recalled that the establishment of the code under the National Industrial Recovery Act was preceded by intense production and speculative activity in anticipa-

tion of higher costs and prices. This history was to a smaller degree being repeated in the spring of 1937 in anticipation of the expected passage of drastic wage-and-hour legislation.

Under this combination of circumstances it was not surprising that in the early months of 1937 buyers were placing orders for cotton goods with the mills in advance of actual needs by as much as 6 to 9 months. The industry quickly built up the greatest backlog of unfilled orders in its history. Although production was spurred to the highest tempo ever experienced, sales ran ahead of output and in consequence the inventories of cotton mills sank to the lowest point on record. During the first quarter of 1937 the aggregate of cotton mill inventories was less than 3 days output. Aggregate unfilled orders reached 16 weeks production.

The extraordinarily heavy volume of shipments had, by early summer of 1937, filled the shelves of converters, cutters-up, wholesalers, and retail distributors as well as industrial consumers. Coincident with this large accumulation of goods the shrinkage of the general buying power of the public began to make itself felt. At this juncture, to make matters worse, the price of raw cotton began its headlong plunge. During the remainder of the year it was destined to fall by as much as 7 cents per pound.

The falling price of cotton together with the diminished demand for cotton goods played havoc with inventory values. The pressure of secondary holders to unload became very acute with the result that orders for new goods practically disappeared.

This recount of events makes possible an intelligent answer to the question: Did the textile industry overproduce during its prosperity period? It did, indeed, engage in extraordinarily active production, but this production was in compliance with an urgent market demand. During the boom period output was actually less than sales. Production could not have been kept on a lower level than actually occurred without resort to extravagantly higher prices and without arbitrary refusal to accept what appeared to be legitimate orders to meet the requirements of trade. There was at the time no way of ascertaining whether current output was excessive. Certainly that was not the opinion either of buyers or of the business community generally. Truly industry cannot be charged with overproduction if it produces no more than it is able to sell at profitable prices. It would seem, therefore, more accurate to refer to the excesses which occurred as overbuying rather than overproduction. It is clearly not within the province of the producer to dictate to the consumer the amount which he should purchase.

INVENTORY REVERSAL

Beginning in June 1937, sales of cotton goods in the primary market began to decline at an accelerating rate and practically reached the vanishing point by December. Despite the rapid decline in sales, the fortunate press of a large volume of unfilled orders enabled the industry to sustain its production activity to a fairly high rate until midwinter. Thereafter, production curtailment was necessarily rapid, but failed to keep pace with the decline in new business. The inventory situation within the last few months of 1937 underwent a complete reversal. During the spring months mill inventories had been extremely low and stocks of goods in the hands of subsequent

holders were large and expanding. At the end of the year mill inventories were high and stocks in the hands of subsequent holders were rapidly being depleted. In the last 4 months of the year cotton mills were operating on a level approximately one-third lower than that obtaining during the first 4 months of the year. Yet stocks of goods grew very much greater. This would seem to indicate that from the industry point of view overproduction was more of a reality in the latter part of 1937 than during its beginnings.

The entire record of the last 6 months shows that the industry opposed with every power at its command the downward trend of business and resorted to production curtailment only with the utmost reluctance. The industry recognized that its first and primary obligation was to its employees. This is not an assertion based merely on knowledge of the human factors prevailing in the industry. It is borne out fully by statistical facts which are a matter of official record. In the first place, during this period of tragic recession the industry has maintained the high hourly wage rates which prevailed at the peak of the boom period. It has been done despite the heavy financial losses involved in such a policy.

In the second place, the reduction of the number of workers on the pay roll has been kept at the lowest possible minimum. The workers laid off completely comprise only about 17 percent of those employed during the first half of the year. The actual decline in operation exceeds this percentage by almost three times. Moreover, it is reasonable to presume that the greater part of this 17 percent which has been laid off were employed in mills which have closed down entirely.

SPREAD WORK POLICY

The industry has met its employment problem by a policy of spreading the work. The great majority of workers are operating on a 3-day or 4-day basis. By this method of staggering the work a maximum number of employees are assured of a weekly pay envelope containing 60 percent or more of customary earnings. It is a procedure which is not only desirable from the general social and economic point of view, but which also alleviates greatly local relief problems which have to be met by Government and private agencies.

PRICE POLICY

The industry's intense desire to make more work for its employees is further evidenced by its price policies. Promptly upon the decline of new orders the industry to keep goods moving at prices which the public could afford to pay and to maintain employment in the mills, began to reduce prices. Between May and December mill prices for cotton goods were reduced on the average by as much as 35 percent and on many important constructions by as much as 40 percent. These declines represented far more than the reduction in the cost of raw cotton. They have gone so far as to eliminate all profits from mill operations and for most mills they are considerably below the actual cost of production. Without doubt a large percentage of the mills in the country have, in the second half of 1937, suffered losses which approach or equal the profits which were made in the first half of 1937. So far as I know, the price declines which have occurred in

the cotton-textile industry surpass those of any other industry and are four or five times as much as the national average commodity price decline.

The drop in price of staple cotton goods from the peak in the first quarter to the low in December is the sharpest price decline that has occurred in our industry in nearly 20 years. For example, the principal type of print cloth, namely the 5.35 construction, declined 17⅞ cents a pound between March and December while the cost of the cotton in the cloth declined only 8 cents a pound. In an important construction of sheetings, namely 40 by 40, 6.15, the price dropped 21 cents a pound and the cost of the cotton only 7 cents a pound. In a leading type of cotton yarn, namely 20/2 ply warp, the price dropped 17 cents and the cost of cotton only 7 cents a pound. In other words, goods prices declined more than twice as much as raw cotton. In the latter part of the year prices generally were lower than the average cost of production.

Employment, pay rolls, weekly and hourly earnings, hours worked, cotton processed, spindles in place, active spindles and total spindle-hours of the cotton-textile industry, 1927–37, inclusive

Monthly average	Employment	Payrolls (weekly)	Weekly earnings	Hourly earnings	Hours worked	Cotton processed (weekly average) in bales	Spindles in place	Active spindles	Total spindle hours
				Cents					
1927	467,596	$7,400,000	$15.60				37,364,730	32,547,119	104,450,215,778
1928	423,400	5,800,000	13.70	32.4		126,500	36,465,976	29,961,648	92,728,880,678
1929	425,000	6,657,000	15.66	32.5	48.2	135,700	35,267,086	30,408,548	99,889,724,476
1930	359,000	5,221,000	14.51	31.7	45.8	103,500	34,541,486	27,269,470	76,702,655,168
1931	329,000	4,466,000	13.56	28.6	47.4	104,900	33,608,494	25,674,107	77,793,298,853
1932	301,000	3,279,000	10.83	24.0	45.1	95,400	32,326,526	24,250,757	70,218,347,911
1933	387,000	4,473,000	11.39	28.1	42.0	119,400	31,442,174	24,873,270	86,580,232,828
1934	410,000	5,194,000	12.60	37.8	33.4	104,100	30,938,340	25,119,435	75,711,412,882
1935	388,000	5,072,000	13.05	37.7	34.6	108,288	30,889,484	23,421,150	76,017,361,934
1936:									
January	398,000	5,365,000	13.48	36.9	36.5	131,402	29,040,208	23,323,958	7,713,696,496
February	397,000	5,395,000	13.59	36.7	36.9	129,162	28,864,406	23,337,070	6,736,374,454
March	397,000	5,320,000	13.40	36.7	36.5	124,753	28,840,856	23,175,502	7,263,926,919
April	392,000	5,276,000	13.46	36.7	36.8	133,201	28,602,580	23,123,536	7,320,181,265
May	392,000	5,280,000	13.47	36.6	36.9	126,381	28,484,352	22,828,888	6,893,604,077
June	394,000	5,331,000	13.53	36.7	36.9	126,437	28,311,834	22,957,322	7,319,892,450
July	405,000	5,528,000	13.65	36.5	37.3	131,131	28,157,094	23,249,572	7,859,348,920
August	418,000	5,793,000	13.86	36.3	38.0	136,735	28,065,518	23,433,658	7,573,009,997
September	424,000	5,728,000	13.51	36.3	37.0	136,448	27,962,666	23,514,270	8,088,255,427
October	431,000	6,077,000	14.10	36.5	38.5	148,620	27,911,666	23,658,270	8,328,468,743
November	440,000	6,160,000	14.00	36.5	38.5	154,740	27,757,828	23,805,520	7,997,374,464
December	448,000	6,877,000	15.35	36.5	39.8	157,482	27,700,194	24,090,204	8,679,119,464
Average	411,000	5,678,000	13.78	36.7	37.5	136,423	28,308,267	23,373,187	[1] 91,773,252,676
1937:									
January	454,000	7,005,000	15.43	39.0	39.4	165,381	27,288,050	24,364,802	8,586,958,938
February	461,000	7,007,000	15.20	39.0	39.0	169,068	27,103,076	24,536,254	9,352,662,065
March	464,000	7,087,000	15.25	39.0	39.0	169,413	27,024,970	24,638,578	9,698,368,366
April	467,000	7,519,000	16.11	41.6	38.6	166,038	26,991,338	24,728,466	9,165,313,688
May	467,000	7,441,000	15.95	42.0	38.0	162,096	26,986,187	24,659,296	8,547,976,501
June	454,000	7,060,000	15.55	42.1	36.9	154,886	26,936,610	24,555,716	8,595,344,360
July	451,000	6,780,000	15.04	42.2	35.5	138,825	26,987,716	24,391,782	7,665,035,632
August	446,000	6,650,000	14.90	42.5	35.7	137,359	26,923,371	24,353,102	8,184,561,738
September	434,000	6,450,000	14.85	42.5	35.0	139,962	26,843,302	23,886,948	7,658,339,165
October	414,000	5,940,000	14.35	42.5	[2] 33.8	126,859	26,757,298	23,724,272	6,927,893,432
November	399,000	5,291,000	13.26	42.5	[2] 31.2	114,075	26,706,930	22,791,550	6,482,657,746
December (estimated)					[2] 27.5	91,300	26,700,000	22,500,000	5,500,000,000
Average								24,094,231	[1] 95,365,111,631

[1] Estimate.

[2] Total.

STRIKE AGAINST ADMINISTRATION NONEXISTENT

In the light of these facts it cannot be said that the industry psychologically or in reality has engaged in any thought or action which might be interpreted as indifference to its social and economic responsibility, or hostility to the general national interest, or what has been referred to as a strike against the administration. On the contrary, it has employed every means at its disposal to break the log jam of a stagnant market and has maintained the high standards of employer-employee relationships with respect to employment, wages, and hours, when the easier and more immediately profitable course would have been in another direction. The mills have, in fact, contributed to the national income during these difficult months an amount far greater than the total of its income during the same period.

The events of the past 4 years whether they relate to recovery or recession are eloquent and convincing in the lesson they teach as regards future policy. They reveal with equal clarity what should be done and what should be left undone.

TAX PROGRAM

I shall attempt to draw first the simpler and most obvious deduction. At the head of the list comes the processing tax as a form of taxation which past experience teaches us should be scrupulously avoided. It is trade destroying in character and wholly unfair and inequitable in its application to every group affected. It is injurious alike to farmer, mill, and consumer. The very name should be anathema in any program of tax legislation.

Equally apparent is the obvious necessity of repealing the undistributed surplus tax or at least so modifying it that it no longer constitutes an insuperable obstacle to sound financial management. Its inequities apply alike to big business and small business. It works great injury to corporations with impaired capital. It penalizes the repayment of corporate debts. It plays havoc with plant expansion and modernization which are so essential to industrial progress and to the maintenance of employment.

The experience of the last 4 years likewise teaches that the regulatory powers of the central Government should be directed only to those purposes which are general, fundamental, clearly necessary, and fully apparent to the general public. No less important than the purposes aimed at are the means employed to accomplish them. The danger of loading vast discretionary powers in the hands of central administrative or quasi-judicial agencies has been amply demonstrated.

The industry's fear of the growing bureaucratic control is well justified. The expansion of that method of regulation cannot be accomplished without a corresponding loss of judicial procedure as it has been traditionally practiced in the United States. It is one thing to have clearly defined wage-and-hour standards enforceable through the

courts and quite another matter to have loosely stated wage-and-hour policies administered according to the discretionary dicta of the Labor Standards Board or a National Labor Relations Board. We are daily realizing more fully that during the past few years we have devoted too much time to formulation of ideals and objectives, and too little to practical means of attaining those objectives.

Many of the evils of our competitive system could be overcome by the voluntary efforts of industry, were cooperative action possible under our antitrust laws. Regulatory policy should take this possibility into account. So far as the cotton-textile industry is concerned it has the will and the unity of thought prerequisite to putting and keeping its own house in complete order from the point of view both of industry policy and national policy. But any concerted effort on the part of the industry itself to implement these desires would immediately come under the cloud of uncertain legality.

Industry cannot be stripped of its traditional rights and privileges without likewise stripping it of its responsibilities. If we are to preserve as a living progressive entity the American system of free enterprise, we must adopt a national program predicated not upon the diminishing responsibility of business, but upon a continually expanding responsibility.

That completes my statement, Mr. Chairman.

The CHAIRMAN. Mr. Murchison, the committee has agreed that at 12 o'clock it will recess until 2. There are some members of the committee who desire to interrogate you, so I will ask you to come back at 2 o'clock.

Mr. MURCHISON. I will be very glad to be here, Mr. Chairman.

The CHAIRMAN. Of course, Mr. Henry will be here, too.

Mr. MURCHISON. Yes, sir.

(Thereupon, at 12 noon, a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to the taking of the recess.)

The CHAIRMAN. May we come to order?

Mr. Murchison, in what month in 1937 did the recession begin in the textile industry, the cotton-textile industry?

Mr. MURCHISON. Well, the peak months were February, March, and April. The recession was not clearly evident until July, as there was some slight falling off in June as compared with the other months, but activity in that month was still above normal, and I would say it did not become apparent to the industry that the recession was under way until the summer months, July and August.

The CHAIRMAN. How serious was the decrease in July?

Mr. MURCHISON. Very slight, Senator. We have a chart over here that shows the chief indexes of the industry, and I would say that the falling off in July was a very small percentage, probably not more than 8 percent, possibly less.

The CHAIRMAN. Well, as I look at this chart it seems to me that in both the raw cotton and the processed, the average hours per week, the decline began about April.

Mr. MURCHISON. Yes; that was a decline from the absolute peak, however. In spite of that decline, physical activity was still above normal until after June.

The CHAIRMAN. But the decline did commence a little earlier.

Mr. MURCHISON. A little earlier; yes.

The CHAIRMAN. I ask it because I had been under the impression that the cotton-textile industry was one of the first industries to feel the decline in business. From this chart it does appear that there was a decline as early as March or April.

Mr. MURCHISON. Yes; as compared with the absolute crest.

The CHAIRMAN. That continued to date?

Mr. MURCHISON. Of course, part of that decline, Senator, was seasonal in character, and not cyclical. I would say that the cyclical influence probably was not being felt appreciably until June or July.

The CHAIRMAN. June or July.

Mr. MURCHISON. Yes, sir.

The CHAIRMAN. Now, I have also been under the impression that during the last part of December there was an increase in inquiries as to cotton goods, and some evidence of an improvement in prices offered for goods. Is that right?

Mr. MURCHISON. Yes; we had the first indication of a turn about the 10th or 11th of December.

The CHAIRMAN. Is that continuing?

Mr. MURCHISON. Not——

The CHAIRMAN. In January?

Mr. MURCHISON. Not in any pronounced fashion. That is, sales are better than they were in November, I will say but they are still definitely in depression levels.

The CHAIRMAN. You mean they are not as great as in other years, but have they maintained the December pace?

Mr. MURCHISON. Oh, January has not kept pace with the December unfilled orders, new orders for December.

The CHAIRMAN. What——

Mr. MURCHISON. Senator, we had about 2 weeks of very great market activity, say, from the 10th of December until Christmas, since which time there has been a lag from that volume of new orders.

The CHAIRMAN. To what did you attribute that spurt in December, that improvement?

Mr. MURCHISON. That was partly due to recognition of depleted inventories in the hands of secondary holders, and partly due to an expectation of a rise in the price of raw cotton.

At that time it became clearly evident that a farm bill would be passed which would restrict acreage output. And in this industry it

is axiomatic that anything tending to raise the price of raw cotton will strengthen the cloth markets.

The CHAIRMAN. And the belief on the part of the trade that there would be control of production of cotton?

Mr. MURCHISON. Yes.

The CHAIRMAN. Caused them to increase purchases at that time?

INVENTORIES VS. PRODUCTION

Mr. MURCHISON. I think probably that was one of the most important influences operating at the time. Of course, there was an inventory situation.

The CHAIRMAN. What information have you as to the inventories as of this date?

Mr. MURCHISON. Yes; we do have fairly complete information as to inventories, and they are much larger, if we are speaking of mill inventories.

The CHAIRMAN. Yes.

Mr. MURCHISON. They are much larger than they were a year ago.

The CHAIRMAN. But have they been reduced from the peak of 1937?

Mr. MURCHISON. I would say the inventory situation probably reached its high point in December. Now, whether there has been any considerable reduction in January, I don't know. Our figures would not show that.

The CHAIRMAN. You mean you have continued production regardless of decreased sales?

Mr. MURCHISON. Yes; unfortunately that is true. Now, I do not mean to say, by that, production has not been decreased; it has been decreased from the peak levels by approximately one-third, but sales have fallen off still more.

The CHAIRMAN. But, I think——

MR. MURCHISON. Consequently inventories have piled up.

The CHAIRMAN. I think you set forth in your statement, and whether you did or not we will agree, that last spring inventories were abnormally increased by reason of the several factors you mentioned.

Mr. MURCHISON. Speaking of inventories, it is important to draw a distinction between mill inventories and inventories in the hands of secondary processors and distributors.

The CHAIRMAN. Then mill production increased.

Mr. MURCHISON. Mill production increased in the spring, but inventories went down to a low point.

The CHAIRMAN. But you did produce, because of all the several factors, first there was a disposition on the part of mill owners, they feared there might be labor controversies; then you had the fear of increased prices of raw cotton, and I suppose some fears of inflation.

Mr. MURCHISON. Yes.

The CHAIRMAN. Any other factor?

Mr. MURCHISON. Those were the chief ones. Of course, the rise in general business was very important, but the rise in general business, the rising price of cotton, which reached its peak in March, fear of inflation, and fear of labor troubles—all of those things worked together.

The CHAIRMAN. But those factors brought about a production greater than normal?

Mr. MURCHISON. Yes.

The CHAIRMAN. So it would not be quite fair to compare production figures with those abnormal months and say there was a decrease, would it?

Mr. MURCHISON. That is true, Senator.

The CHAIRMAN. You cannot take those abnormal months as the index?

Mr. MURCHISON. No, sir.

The CHAIRMAN. Now, you resorted to a curtailment of man-hours, didn't you, throughout the industry?

Mr. MURCHISON. Yes, sir.

The CHAIRMAN. What hours are you working throughout the industry?

Mr. MURCHISON. Those hours vary in the different sections. For the industry as a whole, the range of hours would be between 25 and 30 per week, for each individual employee.

The CHAIRMAN. Twenty-five and thirty per week?

Mr. MURCHISON. Yes.

The CHAIRMAN. Of course, that would differ in the different mills, according to the class of goods manufactured by the different mills. Some mills have a better demand for certain goods?

Mr. MURCHISON. That's right.

The CHAIRMAN. But how many men were actually dismissed or separated from the pay roll, if you use that language?

Mr. MURCHISON. The actual number I gave in my paper this morning. The decline was from 467,000 to about 390,000, so that was a diminution of about 77,000 on the pay rolls. That is our best estimate on the December situation.

The CHAIRMAN. Where that separation from the pay roll occurs, do you—at least, does the industry, at least in some sections, endeavor to provide other employment for employees, as, for instance, employment upon village property, or things of that kind?

Mr. MURCHISON. Wherever that is possible I am sure it takes place, Senator, but, unfortunately, most mills are in communities where there are no alternative employment opportunities except surrounding farms, and, of course, the time of year determines whether that is of much value to the workers.

The CHAIRMAN. Insofar as prices are concerned, when these mill inventories accumulated did you hold to the prices or did you increase prices?

Mr. MURCHISON. Prices were immediately decreased. Prices began going down just as soon as the industry recognized the falling off in demand.

The CHAIRMAN. What decrease in prices occurred between, say, July of last year and January 1?

Mr. MURCHISON. The decline in the average price of cotton goods, that is, mill prices, was 35 percent, approximately. That is as near as we can figure it.

The CHAIRMAN. Thirty-five percent.

Mr. MURCHISON. Thirty-five percent. Some constructions went down even more, about 40 percent.

The CHAIRMAN. I think General Wood of Sears Roebuck testified the other day that he was paying approximately 25 percent for certain cotton goods purchased by concerns, 25 percent less than the period given by him on the previous year. You say as much as 35.

Mr. MURCHISON. Yes; the average was a decline of at least 35 percent.

The CHAIRMAN. And that did succeed in moving some goods, the reduction in prices?

Mr. MURCHISON. Well, that undoubtedly prevented sales from reaching as low a point as they otherwise would. However, in spite of the price decline sales continued to fall off.

The CHAIRMAN. What was the effect upon the earnings of the industry?

Mr. MURCHISON. The effect was disastrous. Of course, official data are not yet available on that point and will not be until the Bureau of Internal Revenue makes its report, but, throughout the industry, it is generally supposed that losses of the second half year will offset, if not equal, the earnings of the first half.

The CHAIRMAN. And the earnings of the first half were greater than usual?

Mr. MURCHISON. Yes; probably the best earnings the industry has enjoyed since 1927.

The CHAIRMAN. Can the average mill make a profit today upon goods selling at prevailing prices?

Mr. MURCHISON. No. The Cotton Textile Institute and a number of other organizations have cost figures all of which unite at the present time in indicating that current operations are on a loss basis.

The CHAIRMAN. And the extent of the loss——

Mr. MURCHISON. And that is the evidence given by the mill executives themselves.

The CHAIRMAN. Along that line, the information that you acquire, how do you secure that information? Are reports filed at stated times?

Mr. MURCHISON. No trade association gets financial reports from the mills. We do not, either.

The CHAIRMAN. Well, as to the figures you have given as to employment.

Mr. MURCHISON. But we do have cost figures and we have the price of cotton and we know the average costs of producing different types of goods, and, of course, we do get the wage figures, and by the use of that data we are able to reach very accurate conclusions as to whether the industry is making profits or losses.

STANDARD HOURS VS. THREE SHIFTS

The CHAIRMAN. Under the code the mill worked how many hours per week?

Mr. MURCHISON. Forty hours for each individual employee was the standard, and 80 hours for the machinery operation.

The CHAIRMAN. Now, last spring, when you were engaged in this abnormal production, you worked three shifts in many mills, didn't you?

Mr. MURCHISON. Well, relatively speaking, I wouldn't say "many" mills. Of course, in an absolute sense, yes, because altogether there are over a thousand mills in the industry and our best estimate is that

probably not more than 15 percent of the industry capacity was operating on a third shift.

The CHAIRMAN. Fifteen percent?

Mr. MURCHISON. The Bureau of Labor Statistics figures indicate that during that boom period the industry's machinery was operating on an average of about 86 hours per week, and so that additional 6 hours over the 80 would give us a pretty good indication.

The CHAIRMAN. I have heard some complaint in the industry, Mr. Murchison, about the third shift, what the workers call "graveyard", I think.

Mr. MURCHISON. Yes.

The CHAIRMAN. You say that in about 15 percent of the mills that third shift was working. Is there anything the Institute could do with its members to bring about an abandonment of that third shift?

Mr. MURCHISON. The Institute has been exercising its influence along with the majority of the industry to discourage the development of a third shift.

The CHAIRMAN. You think it unwise?

Mr. MURCHISON. We think it unwise.

Senator LODGE. Mr. Murchison, are you familiar with the Massachusetts law covering nightwork for women?

Mr. MURCHISON. Yes, sir.

Senator LODGE. Do you think that would be a good policy for the country to follow as a whole?

Mr. MURCHISON. I had not thought of that law in that particular respect. As I understand, you have reference to that portion of it applying to the work of women after 6 o'clock?

Senator LODGE. Yes.

Mr. MURCHISON. And do you have in mind also, Senator, the exemption of mills from the operation of that law provided there are no third-shift operations?

Senator LODGE. Yes.

Mr. MURCHISON. In that case I would answer your question in the affirmative.

Senator LODGE. But you do think as a general rule if nightwork could be abolished on a Nation-wide scale, it would be a good thing to do it, don't you?

Mr. MURCHISON. When you say "nightwork", now, of course, the second shift is partly nightwork.

Senator LODGE. I was not referring to that.

The CHAIRMAN. He has in mind work commencing at midnight.

Mr. MURCHISON. The overwhelming sentiment of the industry is in opposition to the third shift.

The CHAIRMAN. And it affects only 15 percent of the industry.

Mr. MURCHISON. In terms of capacity. Perhaps the number of mills that actually engaged in third-shift operation would be greater than 15 percent.

CHILD LABOR

The CHAIRMAN. In your statement you made reference to the child-labor situation.

Mr. MURCHISON. Yes, sir.

The CHAIRMAN. Are there any States in which children under 16 are worked in the mills?

Mr. MURCHISON. No, Senator, that is one matter on which the industry has been definitely agreed, and very determined, that there shall be no employment of persons under the age of 16, and although, of course, it is impossible to check on every mill, there has been no instance of the violation of that principle which has been brought to my attention, and I believe that the gentlemen who follow me, representing the southern division of the industry and the New England division, will agree that child labor is no longer a fact in the textile industry.

The CHAIRMAN. If you could show that you would stop a lot of organizations from collecting money for the purpose of preventing child labor. The law of South Carolina, for instance, prevents anyone under 16 years of age working in a mill.

Do you know of any State now where they are permitted to work under 16 in cotton mills, where, by law, there is such a prohibition?

Mr. MURCHISON. I think not, except by special permits. I am not sure that even permits are now permitted.

The CHAIRMAN. But, regardless of the law, you say that so far as the industry is concerned there is no such thing?

Mr. MURCHISON. That's right.

The CHAIRMAN. The Institute is opposed to it?

Mr. MURCHISON. Yes; and the industry 100 percent is opposed to it.

The CHAIRMAN. At the time of the adoption of the code was that a provision of the code?

Mr. MURCHISON. Oh, yes.

WAGE SCALE AND WAGE RATES

The CHAIRMAN. You said, as I understood you, that you had retained the wage scale of the code. Is that true throughout the industry?

Mr. MURCHISON. The same percentage that I mentioned a moment ago, applying to the third shift, would apply to those mills which have not kept in accord with the wage scale, but I would say that at least 85 percent of the industry not only has maintained the minimum-wage rates as set by the code but has gone beyond that. The average wage rate in the industry is now considerably higher than prevailed under the code.

The CHAIRMAN. What wage prevailed under the code?

Mr. MURCHISON. The minimum prevailing under the code was 30 cents in the South and 32½ cents per hour for New England, the North. Now, we have had, since that time, two waves of wage increases throughout the industry generally, and, whereas, during the code, the average hourly wage rate was, I think, around 38 cents, it is now above 42 cents, about 42½ cents an hour.

The CHAIRMAN. What was that? Forty-two cents an hour?

Mr. MURCHISON. Yes.

The CHAIRMAN. That is the average?

Mr. MURCHISON. For the industry as a whole.

The CHAIRMAN. What proportion would receive less than 40 cents an hour?

Mr. MURCHISON. That would be very difficult to say, Senator, but I would say that the proportion receiving less than 35 cents an hour would be almost negligible.

The CHAIRMAN. Is there any difference in the character of work done from the inside the mill to outside the mill?

Mr. MURCHISON. Yes, sir.

The CHAIRMAN. In compensation?

Mr. MURCHISON. No; I would say the minimum-wage rates apply to the outside help.

The CHAIRMAN. I wondered if that was not true.

Mr. MURCHISON. Yes, it is. However, I do not believe outside help would come up to the average wage of the inside workers. I am quite sure it would not.

The CHAIRMAN. You say 35, in your opinion, would be the minimum?

Mr. MURCHISON. I think there are very few instances of hourly wage rates under 35 cents.

STRETCH-OUT

The CHAIRMAN. Mr. Murchison, one thing I have often heard and still hear about the industry, as contributing to unemployment, is your stretch-out system. I would like to know whether, in this unusual condition, when this abnormal recession occurred, there was any stretching out of employment, stretching out of the job.

Mr. MURCHISON. Not at all, Senator. There has been no evidence, as far as I know, to support any such contention.

The CHAIRMAN. What investigation have you made, if any, with reference to it? Have you had occasion to do it?

Mr. MURCHISON. No; we have made no special investigation of that particular point, but, if such developments were under way, as our position is so close to the industry, we would certainly know about it.

The CHAIRMAN. Have you any explanation or have you any views that you would like to express with reference to the curtailment of operations because of it?

Mr. MURCHISON. That is, with respect——

The CHAIRMAN. Because of the recession in the cotton-textile industry?

DIVISION OF TEXTILE INDUSTRY OUTPUT

Mr. MURCHISON. Yes; I think that can be stated with a good deal of accuracy: In the first place, at least half of the products of the industry constitute materials necessary for other industries. Now, 40 percent of the output of the industry goes into industrial consumption, and then there is about an additional 10 percent, we will say, that is related to housing construction, together, making a total of about 50 percent.

Obviously, any decline in general industrial activity would be reflected in our business. But, now, in addition to that, the decline in the price of raw cotton, I think is undoubtedly a depressing influence in that buyers have a tendency to hold off at such a time and keep their requirements down to an absolute minimum, in the expectation of lower prices, so we had those factors running together, and, along with that, of course, I think, has been the unfavorable effect of the international uncertainty on business generally.

The CHAIRMAN. What information do you file as to the inventories in the hands of retailers?

Mr. MURCHISON. The data are not as satisfactory as they might be but, insofar as we have such data, and it is supplied by the Federal Reserve banks, to a certain extent, we also have the benefit of some special inquiries, and my judgment now is that inventories in the hands of retailers are not excessive but probably below customary holdings. That is one of the bullish elements in the present situation.

The CHAIRMAN. If below customary holdings, and they have to replenish, it should result in improving the situation insofar as the mills themselves are concerned.

Mr. MURCHISON. We are hopeful that that will occur.

The CHAIRMAN. What is your opinion as to the immediate future, then?

Mr. MURCHISON. My personal opinion is that an early upturn is to be expected, Senator, and by an "early upturn" I mean as early as March, that is, within the next 6 or 8 weeks there should be, according to our best judgment, a definite improvement in business.

The CHAIRMAN. That reduction in prices—has it been uniform throughout the industry, as you have observed it?

Mr. MURCHISON. Yes, of necessity; because most of the industry's goods are sold on the open market.

The CHAIRMAN. In the cotton mills of the South as a general thing was the reduction accomplished by separating men from the pay rolls or by putting them on shorter hours?

Mr. MURCHISON. The greater part was accomplished by putting them on shorter hours.

The CHAIRMAN. I wanted to ask some questions about it, but, if you prefer, I will reserve them for the gentlemen appearing later.

Mr. MURCHISON. I am sure Mr. Henry can give a more complete picture than I can.

The CHAIRMAN. If the Cotton Textile Institute, having in its membership the southern and New England mills, could regulate that third shift, it would accomplish a great deal for the industry, would it not?

Mr. MURCHISON. Yes; it would.

The CHAIRMAN. Do you feel you have exhausted all your efforts in that regard?

Mr. MURCHISON. I would not wish to admit that. We always have hopes.

Senator LODGE. Has the cotton-textile industry suffered much of late from foreign competition?

Mr. MURCHISON. It has, to a certain extent, Senator.

Senator LODGE. Well, can you tell us how much, roughly, in general terms?

Mr. MURCHISON. The total of imports of cotton goods is not so great as it has been in the past. The figures are greater for the middle 1920's.

On the other hand, our exports to other countries have fallen off, and so imports, in relation to our exports, that is, relatively, are larger.

Senator LODGE. Roughly, how much cotton textiles are imported into this country?

Mr. MURCHISON. I would say about 2½ percent of our total production. I would say from 250 to 275 million yards.

Senator LODGE. That would normally employ how many American citizens, the making of that amount of cotton textiles?

Mr. MURCHISON. I would not be able to translate that in terms of man-hours right off-hand. I would be glad to supply that.

Senator LODGE. I think it would be very interesting to have that.

(The matter referred to is as follows:)

According to the best estimate of the Cotton-Textile Institute, cotton goods imported into the United States in terms of man hours represent the full time annual employment of about 10,000 workers.

Senator LODGE. From what countries do most of these cotton textiles come?

Mr. MURCHISON. The most important single country is Japan.

Senator LODGE. Is that so? Japan is the largest single exporter of cotton goods to the United States?

Mr. MURCHISON. Yes, it is. However, our Japanese imports for the current year will not be so great as they were during 1937. That is because of the voluntary arrangement which we entered into with the Japanese a year ago, Senator. During the current year they voluntarily will restrict their imports and exports to us from last year's figures.

Senator LODGE. Are any cotton textiles imported into this country from the United Kingdom?

Mr. MURCHISON. Oh, yes.

Senator LODGE. Do you anticipate that the cotton-textile industry will be affected by the trade agreement with the United Kingdom that is in contemplation?

Mr. MURCHISON. There is, of course, that possibility, but it is impossible for us to know in advance what the trade agreements committee will do.

Senator LODGE. Well, insofar as the present situation is concerned, there is no need for reducing the tariffs, is there?

Mr. MURCHISON. None whatever, because our industry is an overcapacitied industry as it is.

Senator LODGE. On the contrary, those in the cotton-textile industry will be served by a slight increase in the tariff?

Mr. MURCHISON. I quite agree with the Senator.

The CHAIRMAN. In your statement there is one comment about which I desire to inquire. You stated:

Many of the evils of our competitive system could be overcome by the voluntary efforts of industry, were cooperative action possible under our antitrust laws. Regulatory policy should take this possibility into account. So far as the cotton-textile industry is concerned it has the will and the unity of thought prerequisite to putting and keeping its own house in complete order, from the point of view both of industry policy and national policy.

Now, what would you do?

Mr. MURCHISON. Yes; Senator, I feel that very deeply, and it is a feeling that has grown out of actual experience in the industry during the past 3 years, particularly during the past 2 years. The great majority of the industry would like very much to see the members of the industry expressly commit themselves to the 40-hour-per-week limitation in individual employment, the 80-hour-per-week limitation of machinery employment, and the restriction of third-shift operations, and the maintenance of a minimum wage not less than that called for in the code, but any express commitment on the part of the members of the industry could be interpreted as a conspiracy in restraint of trade and commerce, and many members of the industry decline to

enter into any such commitments, irrespective of the high motives involved and irrespective of the sound business policy. They hesitate to do it because they are afraid they will be indicted.

TRADE AGREEMENTS

The CHAIRMAN. Well, is that true as to this third shift we are talking about? Do you think that if not prevented by fear of violation of the antitrust laws you could bring about an agreement to do away with that?

Mr. MURCHISON. We have been advised by legal counsel that it would be in violation of the antitrust laws.

The CHAIRMAN. To do what?

Mr. MURCHISON. To enter into any agreements doing away with the third shift.

The CHAIRMAN. Well, how would you make that 15 percent agree? How would you do that? If they were willing to do it, if it were possible to induce them to do it, why wouldn't they do it now of their own accord without entering into a formal agreement?

Mr. MURCHISON. A great portion of them are doing it because the others are, so, if we could say to each one, "This man has committed himself to it, will you go down, provided the others will do the same thing?" and if it is put on a contingent basis, I am willing to agree that there would be practically universal assent.

The CHAIRMAN. I once saw a chart which indicated—looking back over a period of 20 to 25 years—that at that time the cotton-textile industry had been forced to suspend operations for 3 or 4 months out of every 2-year period. I don't know who was responsible for the figures, but hasn't that been one of the main troubles in the industry, the fact that when inventories are reduced a demand comes that the cotton-textile industry, since the war, since the World War, has had a number of manufacturers who would attempt to operate 24 hours a day and soon bring about a situation just as you now have?

Mr. MURCHISON. Yes; there is a small percentage always willing to do that.

The CHAIRMAN. Before the war we did not have this night work to any extent, did we?

Mr. MURCHISON. No; it was very rare.

The CHAIRMAN. When you increased the number of hours it was equivalent to doubling the number of mills, from one to two thousand, insofar as production was concerned?

Mr. MURCHISON: Yes, sir; although the doubling of hours did not actually occur. When the industry was on a single-shift basis, the hours were from 50 to 55, or, we will say, from 48 to 55, but most of the mills were on a 55-hour basis, so the double shift really represented an increase of from 55 to 80.

The CHAIRMAN. The third shift just added the hours.

Mr. MURCHISON. So that did have the effect of bringing about a surplus capacity situation.

The CHAIRMAN. Then the explanation of your statement here is that because you are advised it would constitute a violation of the antitrust laws, you made no effort to bring about an agreement that would put an end to the third shift?

Mr. MURCHISON. We preach the doctrine, Senator, and do everything we can in the way of moral suasion, and by careful analysis of

the facts, to indicate to each member of the industry the wisdom of certain policies, but we cannot go beyond that

The CHAIRMAN. Thank you, Mr. Murchison.

Mr. Henry, will you please take the chair?

STATEMENT OF R. E. HENRY, PRESIDENT OF THE AMERICAN COTTON MANUFACTURERS' ASSOCIATION

The CHAIRMAN. Mr. Henry, you are president of the American Association of Cotton Manufacturers?

Mr. HENRY. That is correct, sir.

The CHAIRMAN. And you reside at Greenville, S. C.?

Mr. HENRY. Yes, sir.

The CHAIRMAN. You are president of what mill?

Mr. HENRY. The Dunean Mills, of Greenville; the Watts Mills, of Laurens; the Aragon-Baldwin Cotton Mills, of Whitmire; all in South Carolina.

The CHAIRMAN. You are engaged in the production of rayon as well as cotton goods?

Mr. HENRY. Rayon at Dunean and Watts, cotton goods at Aragon-Baldwin.

The CHAIRMAN. You have a statement, I notice, and if you desire to read that statement, I would ask you to do so, before we ask you any questions.

Mr. HENRY. I would appreciate very much, Senator, being allowed to read this statement, since I am not used to this kind of appearance, sir.

In response to your invitation to appear before the committee it is my earnest desire to be as helpful to the committee as my qualifications permit.

With respect to the degree of activity and employment in the cotton-textile industry in the Southern States at the present time, the figures which I present to you were obtained by the "sampling" method, which, in the short time at my disposal after receiving your invitation, was the only method by which the information could be obtained promptly.

Whilst it is not contended that these figures are exactly accurate it is believed that they are sufficiently representative for the purpose.

It appears from the survey which I have made that the cotton-textile industry in the South is operating at the present time at approximately 65 percent of capacity.

RECESSION OF 1937

Using the first 6 months of 1937 as a basis for comparison, the third quarter of 1937 showed that operations were reduced 9 percent and during the fourth quarter operations were 25 percent less than the first 6 months' basis, and, as indicated, the present operations appear to be 35 percent lower than the basis used for the comparison.

With respect to actual lay-offs or cessation of any entire shifts, it was not thought that the "sampling" method would be representative.

It is important to note that the reduced operations indicated have not resulted in an equal percentage of jobs lost or unemployment. In most cases employees are not laid off. The employment of the individual continues but upon a reduced basis as to the number of hours

per week actually worked. It is a custom of long standing in this industry that when it is necessary to reduce production this is done by running all the machinery fewer days in the week or month, or shorter days, in order to share the work and enable all the employees to share in the pay roll. And so when a mill is operating at, say, 70 percent of its usual performance the employees still have the opportunity of making 70 percent of their usual weekly wage.

SPREAD WORK POLICY

It is not intended to state here that there are absolutely no exceptions to this custom, but any exceptions are extremely unusual. This share-the-work method is not as economical as that of shutting an entire section of the mill, and its lack of economy has recently been increased by reason of the Social Security taxes; but it is the humane thing to do.

It is not intended here to criticize any who may do otherwise.

Local relief agencies in southern textile communities frequently report no necessities at all in cotton-mill villages. General welfare is usually taken care of by the mills.

The present depression in cotton textiles cannot be entirely divorced from the present depression in the general economic activity of the country. While there may have been some internal influences within the industry which to some extent aggravated the situation, the recession in textiles has been primarily due to a recession in general business activity. Justification for this statement lies in the fact that over 40 percent of cotton-textile products serve as the basic raw material for a variety of other industries. Included in these are bag manufacturers, automobiles and tires, manufacturers of belts and belting, and the manufacturing of filter cloths, manufacturers of electric motors, electric-wire covering, and other electrical appliances, the coated material trade, manufacturers of roofing and insulated materials for building, and, in fact, the entire building industry is a large consumer of cotton fabrics when building is active.

COTTON USES

According to a study made by the Bureau of Agricultural Economics,[1] published June 1937, it is estimated that during recent years for each man, woman, and child in the United States something like 10 pounds of cotton on the average were used annually for wearing apparel and about 5 pounds for household purposes and about 10 pounds for industrial purposes. I use these figures to point out the extent to which the cotton-mill activity is dependent upon the activity in other industries.

Perhaps the average person thinks of the products of cotton mills as being entirely in the category of what are commonly called consumer goods, but this information tends to show that 40 percent, spelled in terms of pounds, come within the scope of durable goods or at least semidurable goods.

In 1934 and 1935 the buying of cotton textiles was practically on a hand-to-mouth basis on the part of most of our customers, when their own business volume apparently was improving steadily. In

[1] Cotton utilization and new industrial uses. By R. J. Cheatham. 12 (1) pp.

practically all channels of the distributing trade during these years stocks and forward commitments were maintained at comparatively low levels. Cotton-mill operations were forced to conform to this, especially during the second and third quarters of 1935, when the processing tax on cotton was a continuous bone of contention and dispute and a retarding influence.

The period of high activity in the purchasing of cotton mill products started in the spring of 1936 when the greatly improved consumer demand had depleted reserve stocks throughout the country, the processing tax was out of the picture, and the cotton-surplus situation had been greatly improved. Every outside development was favorable to an outlook for continued broad demand, and under these circumstances the activity which started in the spring of that year continued throughout the summer and as market prices rose from their low levels the movement accelerated, sustained, as it was, by increasing consumer sales.

As 1936 ended a spirit of optimism prevailed. Goods available for immediate delivery were scarce, mill stocks were exceedingly low, in fact, they were almost nonexistent, and forward sales appeared to be the highest in the history of the industry.

MARKETS EARLY IN 1937

It is small wonder that the misjudgments of future prospects dominated the markets in the first part of 1937. Although the judgment of the market in buying heavily for the third- and fourth-quarter delivery in 1937 is open to question it would be impractical to say that the mills should have refused such business when the contracts were available and satisfactory. Retail sales in the first quarter of 1937 maintained a higher level of improvement over the previous year; one heard inflation talk on all sides. People generally rushed to buy quick and fast, and to own goods based upon anticipated inflation. Even cotton climbed up to the 15-cent level and above.

Then something happened.

The inflationary bubble began to be deflated. As a result, prices began to recede. By early summer there were evidences that a recession in business activity was setting in. By early fall this recession had become very pronounced and by late fall it was indeed in effect and far reaching.

This decline in general business activity had severe repercussions in the cotton-textile industry. As industry in general declined, naturally the industrial consumption of cotton products declined.

Present inventories are of major importance but would not be of excessive concern were sales and consumption running at the rate of 1936, and the first half of 1937. They are not to be considered large in the absolute but large only on the basis of decreasing demand.

Naturally the question arises as to what the industry can do to improve the situation which now exists.

PRINT CLOTH GROUP

Perhaps this is best answered by pointing out something of a concrete nature which the cotton-textile industry has done.

Reference is made to wide print cloth being fairly representative of cotton-textile fabrics, and I am speaking, Senator, more particularly with reference to the South. That print cloth which is known as

64 by 60, 38½ inches wide, 5.35 yards to the pound, is one of the very largely produced constructions in the print-cloth group.

In April 1937 this construction was selling at 7⅞ cents per yard in the grey state, or 42⅛ cents per pound. In May the price was reduced to 7¼ cents per yard, in June 6¾ cents, in July 6¼ cents, in August 6 cents, in September 5⅝ cents, in October 5 cents, in November 4⅞ cents, and at the present time 4⅝ cents per yard, or 24¾ cents per pound.

Thus you will see that the price was continually lowered in an effort to keep operations going and to continue employment.

This reduction in the pound price from April to the present time amounts to 17⅜ cents per pound of goods, whereas the price of raw cotton during the same period, quoting New York spot cotton, was reduced from 14⅛ cents per pounds to 8½ cents per pound, or a reduction in the amount of 5⅝ cents per pound. These figures show a reduction in excess of 40 percent of the price during the period under review; but somehow confidence was lacking and customers still engaged in liquidating their own inventory losses to the best advantage. And the normal fall-buying movement failed to appear in spite of these low prices. Until such time as present inventories or stocks of cotton textiles are liquidated or consumed it seems reasonable and logical to continue reduced operations and to share the work and the pay roll and until such time as the public needs appear to be in excess of the production, and when the situation will have cleared up, fuller operation can be resumed and fuller employment will then be available.

TAX PROBLEM

It is my conviction that a processing tax upon cotton would retard recovery in cotton textiles, and this statement is not to be construed as meaning that I am opposed to farm benefits. I believe in providing for the farmer wherever provision is needed.

It would be helpful to have a reasonable restriction upon the rising tide of jute imports in accordance with any proposed restriction in the cotton acreage. It would be helpful to employment in cotton mills to restrict the importation of cotton textiles and thus preserve jobs for the employees in American cotton mills.

While I lay no claim to being an economist, a tax expert, and while I do not wish to appear unduly critical, and while I appreciate that the Government must levy and collect sufficient taxes to carry on the business of the Nation and to provide for the public welfare, I do suggest that the tax on undistributed profits should be modified or repealed because from what appears it frightens honest investment and discourages business expansion and therefore retards the potential growth of employment.

That is all, sir.

The CHAIRMAN. Mr. Henry, just a few questions.

Mr. HENRY. Yes, sir.

The CHAIRMAN. According to your statement you have made a reduction of 40 percent in the price of cotton goods?

Mr. HENRY. With respect to print cloths.

The CHAIRMAN. With respect to print cloths.

Mr. HENRY. There are some others, where the reduction has not been so great perhaps.

The CHAIRMAN. It was testified last week by the head of one great corporation that he did not believe a reduction of price would promote the sale of goods. The cotton-textile industry does not entertain that view?

Mr. HENRY. Well, Senator, it seems to me—I am not criticizing the gentleman who made that statement, but I think it is a matter of opinion, and I think it depends on the viewpoint. I appreciate that people are more given to buying any kind of goods on a rising market assuming they are able to, but I do submit that general historical facts would demonstrate that more goods can be sold on a cheap basis than on a high-price basis.

The CHAIRMAN. If you today insisted upon the prices fixed last summer and fall, do you think you could make the sales you are now making?

Mr. HENRY. The question is, if we should insist on the prices effective last summer——

The CHAIRMAN. Yes.

Mr. HENRY. No, sir; we could not.

The CHAIRMAN. If, as a matter of fact, you insisted upon them, you would have more men out of employment, wouldn't you?

Mr. HENRY. Yes, sir.

The CHAIRMAN. That would be a burden on the Government, as a result?

Mr. HENRY. Very likely, sir.

COTTON-MILL VILLAGES

The CHAIRMAN. What about the relief conditions in the cotton-mill villages in the South? You state you are more familiar with that section?

Mr. HENRY. Senator, I think that there has been necessity for very little if any governmental relief in the cotton-mill villages. That is usually taken care of by the mills themselves. I don't have figures on this, because I had to get information on a sampling basis, and telephone contacts, and my own observations in the district. I cannot say what the percentage of the lay-off is, but I think it is very small. I have brought out, when we curtail, that it is not necessarily men being totally out of jobs, so that if you are speaking of 65 percent operation, it means that they get 65 percent of what their wages were. These jobs, to a large degree, are what we call "family jobs." That is, two or more—not always—but two or more from a family work in the mills and we go through to see that not all of one family have jobs, and no one of another family has a job.

The CHAIRMAN. You endeavor to assign the work as between families?

Mr. HENRY. That is right.

The CHAIRMAN. What further comparable details have you as to the average mill village, the number on Government relief? What do the mills do? How do the mills handle it? I think you said the Government was called upon to spend little because of the activities of the mills themselves?

Mr. HENRY. You mean those who have no employment, for example?

The CHAIRMAN. Yes.

Mr. HENRY. We undertake, as best we can to take care of them.

The CHAIRMAN. How?

Mr. HENRY. By free rent, advancing food, and things of that sort.

The CHAIRMAN. Advancing food?

Mr. HENRY. When I say food, I don't mean to tie it right down to food—its equivalent; and they are given credit.

The CHAIRMAN. When men are separated from the pay roll in a cotton mill village, there is no other field of employment to which they can turn; is there?

Mr. HENRY. That would vary to a degree as between States.

The CHAIRMAN. Some mills are near cities, and some are not?

Mr. HENRY. That is right, and in South Carolina—I mention that because it is the State in which I live and with which I am most familiar—in South Carolina some of them do return to the farms when there is no mill work for them.

The CHAIRMAN. You have found where you can curtail operations and maintain your organization and keep them from going away, and it is rather better for the employee?

Mr. HENRY. Yes, sir.

The CHAIRMAN. There has been some discussion as to whether or not by conference on the part of Government officials and the employer you could reach some conclusion as to the possible demand for goods during the year, and in accordance with that understanding arrange your production schedule?

Mr. HENRY. Was that in my statement?

The CHAIRMAN. No. I say there has been some discussion. Now, I will come to your statement. You state that although an adjustment of the markets in buying heavily for the third and fourth quarterly division, as I understand—you said it would be impracticable to refuse such business where contracts are available?

Mr. HENRY. Yes, sir.

The CHAIRMAN. What you mean is if you could sit down with the officials of the Government, could sit down in conference with regard to the needs and demands and production, but notwithstanding any agreement that you could then reach, if orders came in it would be more than you could resist to sell?

Mr. HENRY. No, sir; I didn't mean that. I am criticizing no one's opinions.

The CHAIRMAN. No, it is not a matter of opinion.

Mr. HENRY. I have heard it stated, and I daresay that you have, that mills are running slack because they ran at too high a rate of production the first part of 1937. The point I am making is mills have to sell their goods when customers want to buy them.

The CHAIRMAN. That is what I am asking. I am asking, not in any critical way at all, but to get your viewpoint. The idea is when there is no agreement possible under antitrust laws, no matter what opinion might result from a discussion as to the needs, that if a manufacturer gets orders he can fill at a profit, he is going to fill those orders.

Mr. HENRY. Yes, sir.

The CHAIRMAN. And it would require something more than the information that is thus acquired. You would be disposed to fill those orders regardless of what one of your competitors might think about it. If you have the orders and see a profit, and have the organization, you would fill them?

Mr. HENRY. Yes, sir.

Senator LODGE. I was interested in your statement on page 7, at the bottom of the page. Would you care to go into that in a little more detail? It reads, "It would be helpful——"

Mr. HENRY. Senator, I am not prepared with statistics. I just felt that that is a statement that would stand up, and is true.

Senator LODGE. I do, too.

Mr. HENRY. I have no statistics with respect to it.

Senator LODGE. I feel also it is a statement that will stand up. I wanted to know your ideas as to what the Government could do to assist in that particular situation.

RESTRICTION OF IMPORTS

Mr. HENRY. Well, sir, of course the first thing that comes to mind—and I am saying this as a layman because I am not an economist, is restricted importations on a quota basis of some kind. That seems to be the prevailing method these days.

Senator LODGE. You would restrict?

Mr. HENRY. I would restrict.

Senator LODGE. You certainly would not think of lowering any tariff protection that now exists, would you?

Mr. HENRY. No, sir.

Mr. LODGE. Thank you, very much.

STRETCH-OUT

The CHAIRMAN. One question I forgot to ask you. What about the stretch-out system? Since you have found it necessary to decrease the number of employees, have you been forcing the decreased number of employees to do the same amount of work?

Mr. HENRY. Senator, I have no statistics on that. My opinion is that that would be infinitesimal. From what I have seen and what I have heard, talking among my mill friends, I would say that that would be infinitesimal.

The CHAIRMAN. Well, coming down to your own mills first. Have you increased the work load in the last year?

Mr. HENRY. No, sir.

The CHAIRMAN. In my observation that has been the chief complaint of the cotton mill employee, and I would like to know whether you have heard any complaints in recent months about it?

Mr. HENRY. No, sir; I have not.

The CHAIRMAN. The increase of the work load?

Mr. HENRY. No, sir.

TARIFF PROTECTION AND EMPLOYMENT

Senator LODGE. Would you say that any further reduction in the protection now accorded cotton textiles would inevitably result in loss of employment?

Mr. HENRY. Would you please simplify that. I fear I don't follow you.

Senator LODGE. Would you say that any reduction in the tariff protection that is now extended to cotton textiles would almost certainly result in decreased employment?

Mr. HENRY. I think that is a natural conclusion.

Senator LODGE. And something that the Government ought to bear in mind in negotiating reciprocal trade treaties with Great Britain.

Mr. HENRY. Yes.

Senator MURRAY. The effort of the cotton industry is to sell a great amount of its products abroad, isnt it?

Mr. HENRY. Senator, the majority is sold in this country. We want to export as much as we reasonably can, and those exports over recent years have fallen off. Again I have no statistics, but as our costs have gone up, naturally we have been able to sell fewer goods abroad.

Senator MURRAY. If we raised the tariff on cotton goods, wouldn't that raise the price on cotton goods and lower the price of the raw materials?

Mr. HENRY. If you raised the price on cotton goods, imports?

Senator MURRAY. Yes. That is, if you raised the tariff——

Mr. HENRY. I don't see that that would lower the price on cotton.

Senator MURRAY. If you increased the tariff on the goods coming in here, wouldn't that have the effect of raising the price on the cotton goods in this country?

Mr. HENRY. Can I answer that by breaking it down?

Senator MURRAY. Yes.

Mr. HENRY. You see, sir, the cotton goods that have come in here, as I see it, they hurt us, not alone with respect to the quantity, but they hurt us also with regard to the price structure. Do I make that clear?

Senator MURRAY. Yes.

Mr. HENRY. If we raised the tariff, I don't think that that would necessarily—these things are all a question of degree—I don't think that that would necessarily put up the price of our goods in this country to any considerable extent, and perhaps to none at all.

Senator MURRAY. If you hadn't any competition at all, would not the tendency be for the price of the goods to go up, on that theory?

Mr. HENRY. In an abstract way I will agree with you on that theory. Theoretically, I am not so sure.

Senator MURRAY. And if you did raise the price of your textile goods, it would lower your opportunity to sell your raw materials abroad.

Mr. HENRY. I am sorry——

Senator MURRAY. What country do we import most of the cotton goods from?

Mr. HENRY. I think Japan.

Senator MURRAY. Japan is a big buyer of raw cotton in this country?

Mr. HENRY. Yes, sir.

Senator MURRAY. Don't you think if you raised the price of the cotton goods—raised the tariff on the cotton goods coming from Japan, that would lessen your opportunity to sell raw cotton to Japan?

Mr. HENRY. I think in the abstract, yes, but as far as I know our export of cotton to Japan has been dwindling over a period of years, anyway.

Senator LODGE. Don't the American mills compete with each other?

Mr. HENRY. Oh yes, sir.

(Witness excused.)

STATEMENT OF RUSSEL T. FISHER, PRESIDENT, NATIONAL ASSOCIATION OF COTTON MANUFACTURERS

The CHAIRMAN. Mr. Fisher, you are the president of the National Association of Cotton Manufacturers?

Mr. FISHER. Yes, sir.

The CHAIRMAN. You reside where?

Mr. FISHER. Boston, Mass.

The CHAIRMAN. With what company are you connected?

Mr. FISHER. I am serving as full-time president of the association.

The CHAIRMAN. You have a statement in response to the invitation of the committee, and if you desire to read it, we will be glad to hear it.

Mr. FISHER. I would like to preface that by saying that knowing that Dr. Murchison was to speak for the whole industry, I have confined my statement to the northern section of the industry.

The National Association of Cotton Manufacturers is a voluntary trade association and has been in continuous existence since 1854. Its membership is confined principally to the northern section of the industry, and it represents mills that employ over 75 percent of the wage earners in this section.

This statement is offered in the hope that by combining the problem of unemployment in our industry with that of others your committee may be able to suggest remedies to bring about the reemployment of many of our workers.

Unemployment in the cotton textile industry of the Northeast is not a development of recent years but has been growing since 1923. This increase in permanent unemployment has accompanied the liquidation of more than half the industry in this section.

Production and employment are so closely related that it is necessary to consider what has happened in the industry in order to understand the employment situation. Table No. 1 gives a summary of what has happened in the northern textile industry for the period from 1921 to 1935, inclusive. No census figures are available for a later date.

Spindles are ordinarily taken as a unit of measure in the cotton textile industry, although in recent years this has become a less reliable index. Spindles in place reached their peak in the northern section about 1923 when there were 18,930,146 spindles in place. By November of 1937, the last month for which figures are available, this number had decreased to 7,108,290 spindles in place.

A more accurate indication of the status of this section of the industry is given by the spindles that were active in this period, as idle spindles, of course, do not give employment. In 1923 there were 18,053,718 active spindles, and in November, 1937, 4,762,054. In the United States, during the same period, spindles in place decreased from 37,408,689 to 26,706,930.

This does not mean that there was a decrease in the consumption of cotton, as consumption for the last 2 years had closely approximated the record year of 1927. Longer hours of machinery operation and increased efficiency of machinery, together with a style change requiring coarser yarns, all account for the increased production per spindle.

Another measure of employment can be obtained through a study of the hours operated by the active spindles and the average hours operated by each active spindle. This is shown in table No. 2, for

both the United States and New England. It will be noted that while the total hours for the United States fluctuated, there is no definite trend either up or down; whereas for the New England States there is a marked decline between 1923 and 1933. As a measure of the steadiness of employment for those who were employed, the average hours per active spindle give some indication. These figures show that the average hours operated per active spindle in the North were appreciably below the average for the country. This is due in part to the fact that the northern section of the industry was, for the most part, on a single shift, whereas the balance of the country operated, for the most part, on a two-shift basis; and also partly due to the increasing inability of the spindles in the North to operate full time. With the shortening of hours under the code in 1933 practically all mills were forced to a two-shift basis. However, this did not change the relative position of the northern spindles.

The census figures for New England (table No. 1) show a steady decrease in employment from 1923 through 1935, the last census year. This represents a permanent loss of 120,801 jobs in the northern cotton textile industry. Many of those formerly employed in our industry have undoubtedly found work in other industries. The real startling thing about this figure is that it represents a high percentage of jobs permanently lost as opportunity for employment.

On receipt of the invitation to appear before this committee, our association undertook a survey of present employment in the northern section of the industry, requesting all the mills, regardless of membership, to report the number of employees on their pay rolls for the first week in January, 1938, and the number employed during the corresponding week of 1937. We requested 98 corporations, operating all of the 150 cotton mills listed, for this information and received 100 percent response to our request. In the first week in January of 1937 there were 113,956 employees on pay roll, and for the same period in 1938 there were 76,663, a decrease of 39,658 employees, or 35 percent.

While these figures represent the change from a year ago, there is another very important factor that must be considered, and that is that the 76,663 employees shown to be on pay roll last week were only working an average of about 20 hours per week. While this of course keeps them off the rolls of the unemployed, it also means that their purchasing power is seriously impaired.

A comparison of the figures we have shown for employment in January 1937 with the census figures for 1935 indicates a wide discrepancy in the number of employees. This, we believe, is not due to errors in either set of figures but to the unusual demand for goods in the period from about September of 1936 to March of 1937. For the first time in many years the industry could sell all of its production, and many mills that had been operating short-time were able to go on full-time, even starting up idle machinery in some instances.

Another thing that influenced the 1937 figures, as well as the 1938 figures, is the fact that we have included New York State in our totals for the number employed, whereas the census figure of 1935 is for the New England States alone. New York, having relatively few cotton mills, is not shown separately in the census and the correction figure for 1935 is not available.

I realize, of course, that this committee, while interested in a statement of employment conditions in order to arrive at an accurate pic-

ture of unemployment, is even more interested in suggestions for putting some of those unemployed back to work.

Because of their adaptability, cotton products find a market in an almost unlimited number of uses. Even in times of depression necessities consume billions of pounds.

In the last 25 years the use of cotton in other industries for fabrication in their products has expanded, until now it is estimated that nearly half the consumption of cotton in the country is in this field. The automotive industry alone takes the equivalent of from 500,000 to 600,000 bales annually.

The agricultural sections of our country and the service industries are large consumers of cotton goods, and the purchasing power of these people has a direct influence on the prosperity of our mills.

The principal market for New England products is in the so-called domestic field and in the style field. Under "domestics" are included sheets, pillowcases, bedspreads, towels, blankets, curtain materials, et cetera. Style fabrics include dress materials, shirting materials, suitings and fabrics of that general nature. Cottons now find very general acceptance in the high style field and are used in large quantities for dress materials. Through the initiative of the fine goods mills in better styling and designing, promotion and research, cottons are steadily regaining the popularity they once enjoyed.

Our industry, then, is directly dependent on industry, agriculture and the purchasing power of the general public.

TABLE NO. 1

NEW ENGLAND

Year	Number of establishments	Employees	Spindles		Cotton consumption
			In place	Active	
					Bales
1921	327	191,328	18,730,000	18,385,000	1,613,597
1923	357	207,669	18,930,000	18,053,000	2,049,580
1925	332	174,970	18,329,000	15,975,000	1,638,774
1927	302	165,653	16,871,000	14,995,000	1,674,772
1929	259	127,041	14,548,000	12,537,000	1,447,451
1931	225	90,127	12,167,000	9,655,000	936,741
1933	194	90,596	10,810,000	8,205,000	884,044
1935	173	70,527	9,741,000	7,763,000	818,191

Source: Census of Manufactures (Bureau of the Census), Cotton Production and Distribution.

TABLE NO. 2

Year	Spindle hours		Average hours operated per active spindle	
	United States	New England	United States	New England
1921	(1)	(1)	(1)	(1)
1923	99,450,503,000	38,732,385,000	222	180
1925	94,520,420,000	32,634,322,000	208	148
1927	104,473,089,000	32,862,021,000	236	161
1929	100,876,117,000	28,150,355,000	238	159
1931	77,793,208,000	18,122,650,000	198	123
1933	86,580,233,000	18,931,810,000	233	146
1935	76,017,360,000	16,049,275,000	210	135
1936	91,773,246,000	18,567,613,000	270	172

[1] Not available.

Source: Cotton Production and Distribution (Bureau of the Census), calendar-year basis.

The CHAIRMAN. Mr. Fisher, if I understand your statement correctly, insofar as New England mills are concerned, you are working on a 20-hour week schedule?

Mr. FISHER. Yes, sir; as near as we can ascertain.

The CHAIRMAN. The statement has been made by Mr. Henry, in his prepared statement, that the operation on a reduced schedule is an expensive one. Do you agree with that statement?

Mr. FISHER. I do.

The CHAIRMAN. And that, as a matter of fact, I think you stated that by separating the man from the pay roll he would become, with reference to social-security tax, or having this tax in mind—that it might be more economical, but that you are endeavoring to spread the work.

Mr. FISHER. I might say in that connection, I think we have a situation that is not quite comparable to a great many mills in the staple field. Mills in the style field are making goods on contract with a particular pattern, and unless they have actual contracts they cannot go ahead. They have no idea what they are going to sell, and they cannot afford to put styles in stock that might never sell, and because of this they cannot operate like a mill making staple products that may be as good next month as next year.

The CHAIRMAN. Has there been any improvement, so far as the staple goods in the mills about which you are speaking?

Mr. FISHER. We had a pick-up about the 10th or 12th of December, with a fairly active market up to the 24th of December. Since that time there has been very little activity, although in the last 2 or 3 days there has been some inquiry for goods. It has not resulted in orders as yet.

The CHAIRMAN. What is your opinion about the prospects for the immediate future, so far as those mills are concerned?

Mr. FISHER. I have tried to find out in the short time available how the "white sales" in the retail stores are going. White sales are primarily domestics, and I find the sales are running in volume behind last year, which indicates that the market is going to be slower in picking up. In the style trade, if the cutting-up trade is going to have materials for the spring and summer of 1938, they will have to come in very soon, or there will not be time to manufacture the goods.

The CHAIRMAN. If they are to have goods for that trade, they will have to come into the market very soon?

Mr. FISHER. Yes, sir.

The CHAIRMAN. That would give encouragement to the mills manufacturing that class of goods?

Mr. FISHER. I believe so.

RECIPROCAL TRADE AGREEMENT WITH ENGLAND

Senator LODGE. Have you any specific suggestion as to what the Government could do that would be helpful at this stage of affairs?

Mr. FISHER. We have been troubled about the proposed reciprocal trade agreement with England. If we are going to have lower duties on English goods, that is going to bring in more fabrics in competition with New England goods.

Senator LODGE. Would that result in lay-offs?

Mr. FISHER. It would; I might say I am speaking a little bit ahead of actual knowledge. All I have seen of the fabrics that are to be considered are listed.

Senator LODGE. Yes.

The CHAIRMAN. What information have you with respect to that matter?

Mr. FISHER. Only what I have read in the newspapers.

The CHAIRMAN. And that does not give information as to the character of goods?

Mr. FISHER. In the past, the type of goods that have come in from England have competed more directly with New England products than with other sections of the industry.

The CHAIRMAN. What is the class of goods?

Mr. FISHER. What we call combed goods, the finer goods.

The CHAIRMAN. The finer goods, and your statements are based simply on newspaper reports?

Mr. FISHER. Yes.

Senator LODGE. Isn't it true the State Department issued a list last Friday or Saturday, listing all the topics which are to be the objects of discussion?

Mr. FISHER. I hope to get that list.

Senator LODGE. You haven't seen that list?

Mr. FISHER. I have not.

Senator LODGE. It is my impression cotton goods are on that list.

Mr. FISHER. The newspapers listed cotton textiles.

Senator DAVIS. Do present imports affect your business in any way?

Mr. FISHER. Yes; they affect us in two ways: First of all, the present duty on fine goods, while it was adequate when it was drafted, does not give us the protection it then gave us. Our wages have gone up more than in any other country, and on some of our finer goods now, some of the mills are buying English yarn, because it is cheaper than to spin it.

Senator DAVIS. If the English imports could be produced here in the American factories, how many days' labor would it give the American laboring men?

Mr. FISHER. That would depend entirely on what is coming in, and I would have to work it out and supply it to the committee.

Senator DAVIS. Could you work it out and supply it to the committee?

Mr. FISHER. I would be glad to.

(See supplementary statement at end of testimony.)

The CHAIRMAN. Mr. Fisher, have you any figures as to the exports of cotton goods?

Mr. FISHER. I have figures here——

The CHAIRMAN. 1937, as compared to——

Mr. FISHER. Oh, no; we won't have 1937 until later.

The CHAIRMAN. Well, 1936.

Mr. FISHER. Exports from the United States, according to the Department of Commerce, totaled 215,966,000 square yards, valued at $29,939,000, in 1936.

The CHAIRMAN. Was that an increase or a decrease over the previous year?

Mr. FISHER. That was an increase. It was an increase from 186,565,000 square yards, valued at $19,759,000.

The CHAIRMAN. But it is a decrease from the exports of some years ago?

Mr. FISHER. If you go back to 1925, the exports at that time were 543,316,000 square yards, valued at $85,000,000. That, of course, is not the high year. The highest in this table was 1927, when it reached 565,000,000.

The CHAIRMAN. That has been the effect, in great measure, of the Japanese competition in the markets of the world?

Mr. FISHER. Yes, sir.

The CHAIRMAN. And the resulting development of the textile industry in Japan?

Mr. FISHER. That, in addition to the increase in wages in this country with relation to other countries.

The CHAIRMAN. You have no objection to American cotton being manufactured in this country and exported in competition with the rest of the world?

Mr. FISHER. None.

The CHAIRMAN. But you have no suggestion as to how that could be attained?

Mr. FISHER. I don't see any opportunity except something in the nature of a subsidy.

The CHAIRMAN. Has there been any great increase in the number of persons on relief rolls in the month of September in your State?

Mr. FISHER. I believe there has.

The CHAIRMAN. Has that been affected by the lay-off in the textile industry?

Mr. FISHER. In some of our textile centers; yes.

The CHAIRMAN. Fall River, for instance?

Mr. FISHER. Fall River and New Bedford probably were the two most seriously affected.

The CHAIRMAN. The figures I have before me indicate an increase in Fall River of 21.6 percent from November on relief rolls, and in New Bedford, 16.2 percent, and Lowell, 14.2 percent. That would be in accord with your judgment?

Mr. FISHER. That would be; yes.

The CHAIRMAN. There are cotton mills in those communities?

Mr. FISHER. Fall River and New Bedford are cotton-mill centers; Lowell is more or less diversified.

Senator LODGE. Is there anything you care to say about the migration of textile cotton mills from New England to the southern part of the country? A good deal has been said about it already——

Mr. FISHER. I wonder if this is the occasion to go into that?

Senator LODGE. You don't have to, if you don't care to.

Mr. FISHER. I would like to say that Massachusetts has most seriously suffered from the lead they took in social legislation, over the other States.

Senator LODGE. That is one factor.

Mr. FISHER. That, in connection with the labor costs.

Senator LODGE. I think we appreciate the seriousness of migration. You don't have to comment on it, if you don't want to.

The CHAIRMAN. All right, Mr. Fisher.

(Witness excused.)

(The following information was furnished by Mr. Fisher in response to the following question by Senator Davis:)

"If the English imports could be produced here in the American factories, how many days' labor would it give the American laboring men?"

The amount of labor going into the production of cotton goods varies materially with the type of fabric; a coarse, heavy fabric requiring fewer employees per yard of production than a fine, plain, combed-yarn fabric, and a fine, fancy fabric requiring still more employees than a fine, plain, combed-yarn fabric.

To give an idea of the spread, we are taking three typical examples, based on actual mills operating on the fabrics. The standard week in the cotton textile industry is 40 hours, 8 hours per day.

In 1936, the last year for which figures are available, there were 130,000,000 square yards of cotton cloth imported. If all of this had been a wide sheeting, approximately 6,500 wage earners would have been deprived of a year's work, or 1,625,000 days of labor.

If all of the 130 million square yards had been a fine, plain, combed-yarn fabric, then the number of workers displaced for the year would have increased to 9,100, or 2,275,000 days of labor.

If the entire 130 million square yards had been a fine, fancy fabric, then there would have been a further increase to 19,500 workers displaced, or 4,875,000 days of work.

The CHAIRMAN. I want to place in the record some data that Mr. Johnstone, the counsel of the committee, secured from the Social Security Board, showing the general relief in selected urban areas with population of 100,000 or more as of December 1937. The data were secured on January 7 from the Social Security Board at the request of the Committee.

(The matter referred to is as follows:)

General relief in selected urban areas with population of 100,000 or more, December 1937

[Data secured on Jan. 7 and 8 by the Social Security Board at the request of the Senate Committee to Investigate Unemployment and Relief [1]]

State and city	Number of cases receiving general relief during December	Percentage increase or decrease (−) from November	Percentage of cases having an employable person
Total for 54 cities	376,786	15.9	[2] 51.7
Alabama: Birmingham	499	3.1	42.6
California:			
San Diego	2,474	−2.0	9.1
San Francisco	12,700	14.4	74.8
Colorado: Denver	3,874	3.1	NA
Connecticut: Hartford	1,910	16.8	25.6
District of Columbia: Washington	2,661	−2.6	NA
Florida: Jakesonville	279	−8.5	15.0
Georgia: Atlanta	2,865	6.3	NA
Illinois:			
Chicago	91,884	8.7	41.4
Peoria	2,181	23.2	73.2
Indiana:			
Fort Wayne	1,320	67.7	26.1
Gary	7,700	71.1	74.0
South Bend	2,460	56.0	20.3
Iowa: Des Moines	4,752	11.8	76.6
Kansas:			
Kansas City	2,561	10.8	62.5
Wichita	2,180	18.1	23.7
Louisiana: New Orleans	2,748	1.5	12.6
Maryland: Baltimore	3,502	16.7	24.5

[1] Figures are partly estimated by local departments of public welfare and are subject to revision.
[2] Comparison made for 46 cities.

General relief in selected urban areas with population of 100,000 or more, December 1937—Continued

State and city	Number of cases receiving general relief during December	Percentage increase or decrease (−) from November	Percentage of cases having an employable person
Massachusetts:			
Boston	18,447	9.6	57.7
Cambridge	1,670	17.8	83.8
Fall River	3,600	21.6	86.1
Lowell	2,650	14.2	83.4
New Bedford	2,812	16.2	70.5
Somerville	1,813	6.5	55.2
Springfield	2,747	18.0	81.9
Worcester	4,117	19.8	40.1
Michigan:			
Detroit	22,930	65.4	25.4
Grand Rapids	3,080	53.9	37.0
Minnesota:			
Duluth	4,845	29.2	62.4
St. Paul	8,500	17.2	40.0
Missouri:			
Kansas City	6,493	13.4	78.9
St. Louis	8,735	9.3	NA
Nebraska: Omaha	982	19.0	16.1
New Jersey:			
Camden	3,871	19.5	92.5
Elizabeth	712	20.7	65.0
Paterson	2,618	22.4	NA
Trenton	2,335	23.5	79.2
New York:			
Albany	1,408	8.0	32.0
Yonkers	2,979	12.2	19.9
Ohio:			
Canton	2,977	32.5	53.9
Dayton	2,831	28.4	39.6
Toledo	6,246	69.9	77.3
Youngstown	2,836	22.9	20.6
Oklahoma: Oklahoma City	1,456	2.1	NA
Oregon: Portland	6,429	35.0	42.0
Pennsylvania: Philadelphia	62,899	4.5	73.1
Rhode Island: Providence	5,100	23.7	83.5
Tennessee: Memphis	146	−5.2	NA
Texas:			
Fort Worth	1,914	35.3	78.0
Houston	2,028	7.1	NA
Virginia:			
Norfolk	457	−.7	98.5
Richmond	2,185	12.3	34.3
Washington: Spokane	5,131	34.3	72.8
Wisconsin: Milwaukee	18,257	18.3	41.1

Comments Regarding Above Table on Local Direct Relief Figures for December 1937

For the purpose of providing some additional facts regarding the direct relief load of urban centers the counsel for the committee requested the Social Security Board to obtain the most current information possible on the number of cases receiving direct relief in December, the percentage of increase or decrease in the relief load between November and December, and the estimate of the local relief director as to the number of families having an employable member. The above table presents this information for 5A cities.

A few brief comments are required concerning these figures. A regularly established reporting system for 116 urban centers has been consistently maintained on a monthly reporting basis since 1929. Most of the cities listed on the schedule participate in this urban relief series now conducted by the Social Security Board. However, these figures submitted are taken on the basis of telegraphic reports and are therefore subject to certain possible errors: (1) Of misunderstanding the question; (2) of using estimates before compilation of actual figures; (3) especially the column giving a percentage estimate of the number of families having an employable member is not an item on which the cities are accustomed to report, may represent mere opinion as contrasted to a statistical count, and may be more misunderstood than the other questions. But the acceptance of

these limitations becomes necessary if absolutely current figures are desired as all regular reporting systems for direct relief cannot be assembled and tabulated rationally short of 3 to 4 weeks after the close of the month.

The attention of the committee is called to the following general observations regarding the table:

1. The "spotty nature" of direct relief, probably due to a lack of uniform standard and financial inability or unwillingness to meet the problem. Not even the sharpest variation of need can fully explain the difference of relief count in these cities somewhat comparable in size.

	Cases		*Cases*
Birmingham	499	Denver	3,874
Hartford	1,910	Toledo	6,246
Atlanta	2,865	St. Paul	8,500

2. Even after recognizing this element of unreliability, relief figures of today reflect a picture of acute need and the column showing the percentage of increase or decrease in December over November is unusually significant:

(*a*) Because the decreases are almost negligible.

(*b*) Because of the many increases exceeding 50 percent.

(*c*) Because it makes clear that employable people in large numbers applied for and received direct relief in December.

3. While the column showing the number of families with an employable person may be questioned as to accuracy, the fact remains that local relief agencies have been determining the employables for over four years. Many local agencies have fairly objective definitions and most of the large ones have a mechanical method of tabulation. Most of these local relief directors know their business and notwithstanding the necessarily unscientific method used to secure the estimate of the number of employable people on the relief rolls, the startingly high percentages are very revealing and cannot be dismissed lightly.

For the information of the committee it might be added that your counsel has requested the Security Board to check all these figures against those routinely submitted for the month of December and also to secure telegraphic reports for January as soon as the month ends, trying to make provision for such improvements in the accuracy of the figures as may be devised.

(See page —— for same areas, January 1938)

The CHAIRMAN. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 3:45 p. m., a recess was taken until tomorrow, January 11, 1938, at 10 a. m.)

UNEMPLOYMENT AND RELIEF

TUESDAY, JANUARY 11, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee, pursuant to call, met at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., Senator Carl A. Hatch, presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch, and Frazier.

Also: Alan Johnstone, Esq., counsel for the committee.

Senator HATCH. The meeting will come to order.

Is Secretary Wallace present?

STATEMENT OF HON. HENRY A. WALLACE, SECRETARY OF AGRICULTURE

Senator HATCH. Mr. Secretary, of course, you understand the purposes of this committee, what we are seeking to find out?

I think you have a prepared statement.

Secretary WALLACE. Yes, sir.

Senator HATCH. Go right ahead and read your prepared statement.

Secretary WALLACE. The memorandum which I have prepared has been addressed to the problems which were posed to me by the adviser of the committee, as I understand it. This memorandum, therefore, is intended to give some indication of relief needs in rural areas, and the extent to which such needs are likely to increase during the next 6 months.

RURAL DESTITUTION

In 1934 the Government was confronted with more than 1,000,000 farm families in need of immediate relief. Many of these had been ruined by natural calamities, such as floods and prolonged drought. The majority, however, were the victims of a long-continued deterioration in important segments of American agriculture. Virtually all their assets had been wiped out by several years of ruinous farm prices, overburdening debt, faulty tenure arrangements, exhaustion of the soil, and unscientific one-crop farming.

The task of caring for these 5,000,000 destitute people, at first handled directly by the Federal Emergency Relief Administration, was assigned in 1935 to the Resettlement Administration, now the Farm Security Administration. This agency's primary purpose is to help farm families on or near relief to become permanently self-supporting.

This it has attempted to do by making small loans, under careful supervision, to enable its borrowers to buy the minimum of seed, livestock, and tools needed to carry on farming operations. As of December 1, 1937, more than 532,000 families had received loans from the Farm Security Administration totaling $151,000,000. By January 1, 1938, over $45,000,000 had been returned to the Federal Treasury. Although these advances ordinarly mature over a period of 5 years, more than 32,000 families already have repaid their loans in full and are now completely self-supporting. It is plain, therefore, that this type of relief is largely self-liquidating. If money were available, the rehabilitation program could be expanded to good advantage to two or three times its present size.

Even if these funds were available, however, rehabilitation loans could not be wisely extended to all farm families in need of relief. A wealth of experience has demonstrated that it is both a waste of money and an injustice to the borrower to attempt rehabilitation unless he can obtain a farm which will provide a living for him and his family. Thousands of families have not been able to find such land at a reasonable rental. Thousands of others, who had located farms, were refused loans because the soil did not contain enough moisture to justify planting a crop.

To such families, in cases of dire necessity, the Farm Security Administration has made subsistence grants. As of December 1 more than 500,000 families had received grants totaling more than $56,500,000. In most instances these grants averaged approximately $20 per month per family, or barely enough to provide the minimum necessities of living.

In most agricultural regions 1937 crop production was good and the Farm Security Administration was able to drop from its grant rolls the majority of farmers who had been carried through the winter and spring of 1936–37. However, portions of the States of Montana, Wyoming, North Dakota, South Dakota, Colorado, New Mexico, Kansas, and Nebraska experienced either complete or nearly complete crop failures. Farm families in these areas are in very real need of continued assistance. The following table shows the number of farm operators in some of the worst-stricken counties and the number and percentages of these who are now receiving subsistence grants from the Farm Security Administration.

The following table indicates that about 60 percent of the farm families of those counties of North Dakota, Montana, and South Dakota are receiving grants:

TABLE I

County	Number of farm operators	Number of farm families now receiving grants	Percent receiving grants
North Dakota:			
Burke	1,438	881	61
Divide	1,576	1,001	64
Emmons	1,578	1,207	76
Grant	1,502	912	61
McIntosh	1,160	725	63
McKenzie	1,931	941	49
Martin	1,960	1,129	58
Mountrail	2,213	1,162	53
Sioux	757	302	40
Slope	753	579	77
Williams	2,393	1,692	71

TABLE I—Continued

County	Number of farm operators	Number of farm families now receiving grants	Percent receiving grants
Montana:			
Daniels	904	538	60
Dawson	1,017	538	53
McCone	946	459	49
Richland	1,505	535	36
Roosevelt	1,416	482	34
Sheridan	1,496	824	55
South Dakota:			
Aurora	1,152	714	62
Beadle	1,882	1,139	61
Brule	984	583	59
Campbell	865	511	59
Jerauld	800	566	71
Todd	892	565	63
Potter	713	434	61

Many additional counties in the Great Plains area have been gravely affected, although not so seriously as the counties noted in the above table.

Some idea of this widespread distress may be gained from the fact that in July the corn crop in Nebraska was estimated at 196,830,000 bushels, while in October the estimate had fallen to 74,358,000 bushels. Nebraska farmers now are applying for subsistence grants in much larger numbers than we anticipated 6 months ago.

Over a large part of the Nation the demand for grants has been rising steadily since last July. This increased demand could be met only partially. The following table shows an increase of more than 100 percent in the grant load between July and December:

Month and year	Number of families receiving grants	Amount of grant payments certified	Average grant payments
July 1937	53,929	$941,091.72	$17.45
August 1937	78,257	1,345,209.64	17.19
September 1937	66,623	1,197,063.39	17.97
October 1937	70,942	1,398,992.42	19.72
November 1937	83,349	1,782,758.04	21.39
December 1937	108,707	2,278,668.12	20.96

There is little likelihood that the economic status of the 108,000 families receiving grants in December will improve before another harvest. As a matter of fact, the experience of the Resettlement Administration in handling last year's problem indicates that it will be necessary to carry the majority of these families on a grant basis at least through the remainder of the fiscal year.

Senator DAVIS. Mr. Secretary, the average grant payment is $17.45 an acre, or a week, or what is it?

Secretary WALLACE. That is a month.

Senator HATCH. It is not per acre, then?

CAUSES OF RURAL DISTRESS

Secretary WALLACE. Per month, per family. It becomes somewhat greater in the wintertime because of the fuel needs.

Certain events of recent months have greatly aggravated the problem of rural distress. They are:

1. An increasingly serious drought condition in certain areas of the Great Plains.

2. A rapid decline in farm prices.

3. The industrial recession, which has gravely affected the conditions of rural employment.

4. The displacement of farm labor by agricultural mechanization.

Senator HATCH. Mr. Secretary, perhaps you would rather finish your statement before questions are asked, so I will not interrupt you if you would rather go ahead.

Secretary WALLACE. That will be all right.

Senator HATCH. I just wanted to know whether that "increasingly serious drought condition" is the present condition to which you are referring, or is it past conditions?

Secretary WALLACE. There is at present a serious drought condition, especially in the North Plains area.

Senator HATCH. Then I won't interrupt you any more. Go ahead.

Secretary WALLACE. It is perfectly all right with me if you desire to interrupt, or you can make a note here and we can go back to it after I finish.

Senator HATCH. All right.

DROUGHT CONDITION

Secretary WALLACE. I have a chart here giving the present drought condition, if you care to see it.

If present dry-weather conditions continue, relief needs in the Great Plains area may be increased to an unpredictable but potentially very large extent. Virtually every State in this area received less than normal precipitation during the fall of 1937. For example, in South Dakota, which has endured seven successive years of severe drought, the rainfall during September, October, and November was only 47 percent of normal, and this condition has not improved materially in recent weeks.

The figures are in percentage of normal in the months of September to December, inclusive, of the year 1937. If you broke it down by districts in the State, you might find that certain parts of North Dakota this fall have been very dry, although the average for the State indicates 85 percent of normal; Nebraska, 67 percent; Kansas, 65 percent; Iowa, 56 percent; Minnesota, 65 percent. I expect you might find parts of eastern Montana that would show quite dry, although the average for the State indicates 100 percent; and part of southeast Colorado, although the average for the State there shows 90. That gives a rough picture of the dry weather since the first of September in that area. It does not necessarily mean crop disaster next year, but merely means that if this dry experience in the fall and winter is to be followed by drought next spring, the effect of the drought next spring would be very much accentuated.

In the winter-wheat States it has already affected crops to some extent.

Under such circumstances the Farm Security Administration does not feel justified in making rehabilitation loans to finance the planting of spring crops. It has followed a policy of refusing to finance wheat plantings unless 24 inches of ground moisture is present. Experience extending over many years has indicated that the prospects of making a crop are remote unless at least this much moisture is available.

It is conceivable that there might be an early spring rain which would change that situation, but by no means certain.

SUBSISTENCE GRANTS

Destitute families who are refused rehabilitation loans on these grounds have no alternative but to apply for subsistence grants. Unless certain areas of the Great Plains receive enough rainfall before spring to justify plantings, the Farm Security Administration will face a greatly increased need for grants.

It will be noted that the individual grants made during the last 6 months have not been large, ranging from an average of $17.45 per family in July to $20.96 in December. Although the size of the individual grant is determined by an investigation of family needs, the total has been consistently held to an absolute minimum. In the past, these amounts have been sufficient to maintain human life, but the cumulative effect of several years of destitution, during which these families have been existing on the least possible amount of food, are now being seriously felt. In the Dakotas, for example, the public health departments report that malnutrition and other health problems are becoming increasingly grave, especially among children under 15 years old.

As a result, the Farm Security Administration is receiving appeals from all sides to authorize a general increase in the size of grants, to meet a growing need for clothing and household requirements as well as food. With the approach of cold weather, the need of fuel on isolated farmsteads without wood lots has become particularly pressing. Authorization recently has been given Farm Security Administration field representatives to approve special grants, ranging from $24 to $30 per family, for the purchase of fuel supplies.

There are other special areas, in addition to the Great Plains States, where the need for emergency grants is increasing sharply. A particularly acute situation exists in approximately 10 counties of northeastern Wisconsin, as a result of unusual drought conditions confined to that area. A detailed investigation revealed that approximately 6,500 destitute farm families in these counties will require monthly subsistence grants for the remainder of the fiscal year.

LAND SETTLEMENT PROBLEM

Another special problem exists in the three Northwestern States, Washington, Oregon, and Idaho. More than 20,000 farm families, many of them from the drought-stricken areas of the Great Plains, migrated into these States during the 18 months which ended July 1, 1937, and the migration is still continuing. Less than 20 percent of these 20,000 families have been able to settle themselves permanently on satisfactory farms; the remainder either have settled on submarginal land or are trying to eke out an existence as farm laborers. Many such families already are receiving Farm Security Administration

grants, and considerably more will require assistance during the winter. A similar problem, of even greater magnitude, exists in California, where thousands of drought migrants and wandering laborers are living under conditions of utmost destitution.

While the difficulties of these special areas are undeniably acute, they are overshadowed by the Nation-wide growth of rural relief needs caused by the recent slump in farm prices. Bureau of Agricultural Economics has estimated that the 1937 production of 53 crops was 13 percent greater than the 1929 production, and 40 percent greater than the production of 1936, which was considerably curtailed by drought. The effect of this increase, in the face of declining business activity and urban purchasing power, has been a sharp drop in farm prices. Since December, 1936, they have sunk from 126 percent of the pre-war level to 104 percent of the pre-war level. The present level of farm prices is approximately 30 percent below that of 1929.

FARM INCOME DECLINE

This decline has wiped out a substantial part of the gains in farm income made during the recovery period between the spring of 1933 and the spring of 1937. Large crops and the curtailed domestic consumption of farm products, coupled with a low volume of exports, is resulting in a piling up of heavy carry-overs of our basic commodities, particularly wheat and cotton. By next summer, the combined carry-overs of cotton, grains, and other commodities are expected to be nearly as large as the record stocks on hand in 1932 and 1933. The pressure of these stocks on the market, together with the shrinkage of city purchasing power, probably will mean a farm income in 1938 of 5 to 10 percent below that of 1937. We do not anticipate that the large stocks will produce as disastrous results as in 1932 because present and prospective legislation should give us power to cushion the shock.

The effects of this reduced income already are being seriously felt, especially among the more handicapped groups of our farm population.

One example will illustrate what is happening in many rural communities. In Lee County, Tex., between 200 and 300 share-croppers are literally in danger of starvation. Every penny from their share of the cotton crop was required to pay off their debts to the landlords or "furnish merchants," who provided them with food while they were making their crops. Ordinarily, the landlords would carry them on credit through the months between now and next summer. This year, however, as a result of low cotton prices the landlords are little better off than their share-croppers, they simply cannot furnish the usual credit facilities. Local agencies, likewise, are utterly unable to provide any kind of relief. As a consequence, the Federal Government is facing demands for assistance from a group for which it has never before been forced to assume responsibility. A similar situation is arising throughout hundreds of counties in the South.

In addition to falling prices and unfavorable crop conditions, the effects of the industrial recession have been severely felt in practically all agricultural districts.

The natural increase of population in the United States always has been most rapid in rural areas, particularly in districts where the soil is poor and income is low. As a result, there has been a steady migration, in normal times, from the country to the city. Between 1920

and 1930, for example, there was a net shift of more than 1,500,000 young men between the ages of 15 and 25 from farms to cities.

SURPLUS LABOR IN RURAL AREAS

The depression halted this flow by shutting off opportunities for employment in industry. The result has been a serious piling up of surplus labor in rural areas; within the next two decades, approximately 7,000,000 farm youths will mature with virtually no prospect of finding land to farm or even steady employment as agricultural laborers.

It is probable that this pressure on the land was slightly relieved during the recovery period, when the opportunities for industrial employment were somewhat improved. With the advent of the recession, however, the normal flow of population to the cities again was abruptly curtailed.

The problem has been aggravated by the fact that many thousands of city residents tend to return to their homes in the country as soon as they are thrown out of work by an industrial slump. While no exact figures are available, it is probable that a considerable migration of the unemployed now is under way from cities to already overcrowded rural areas.

MECHANIZATION

The surplus of farm labor has been swollen alarmingly by yet another development—the rapidly growing use of farm machinery. Mechanization is altering the whole nature of farming in the fruit and vegetable districts of the Pacific coast, the wheat fields of the Great Plains, the Corn Belt, and even in large areas of the cotton country.

Farming in these parts of the United States is ceasing to be a way of life and is becoming a new kind of highly organized industry. The dominant type of farm in some of these areas no longer is a family-sized homestead; it is a great out-door factory, built around labor-saving machinery which can be operated by gangs of seasonal workers.

One result of this swiftly spreading mechanization is a rapid displacement of farm labor. Nearly everyone is familiar with the fact that the army of migrant workers who once followed the wheat harvest from Texas to the Canadian border has been largely replaced by the tractor and the combine. It is less generally realized, however, that much the same process is taking place in the Corn Belt, and on the larger cotton plantations, where the sharecropper is being supplanted by the day laborer.

A recent Works Progress Administration survey indicates that more than 3,300 mechanical corn pickers have been sold in Iowa during the last 2 years and that about 6,000 were used in the last harvest. While the average price for hand husking is about $2 an acre in Iowa (it is generally stated in cents per bushel, but it comes to $2 per acre), these machines can do the job for $1.25 to $1.50. Since each picker replaces approximately 3 hand pickers, it is estimated that between 15,000 and 20,000 agricultural laborers have been thrown out of work this fall in Iowa alone.

In the Cotton Belt, tractors are creating almost equally serious difficulties. This problem has become particularly acute in eastern Texas and certain portions of Arkansas. In one Texas district,

including 12 counties, 142 farm families obtained relief from the Works Progress Administration during November. An additional 247 families, for whom no assistance was available, were called to the attention of the Texas Relief Commission. Many of these declared that they had been thrown out of work by tractors, and had never before applied for relief or Works Progress Administration employment.

In most cases, neither these displaced workers nor the farm youths who ordinarily would have migrated to the city have had any chance for vocational training. As a consequence, they are thrown on the already overflowing unskilled labor market. Probably several hundreds of thousands have become wandering farm laborers, drifting from harvest to harvest without security, hope, or a chance for a decent wage.

Under normal circumstances, a majority of these agricultural migrants turn to the cities for some kind of part-time employment during the slack seasons for farm labor. This winter such employment has virtually disappeared, and a new burden—possibly a very heavy one—will be added to the rural relief load.

We are facing an urgent necessity for expanding rural relief. The demand for Federal aid is being augmented daily by a variety of factors—notably an impending drought in certain areas, sagging farm prices, the rapid mechanization of agriculture, and the industrial recession.

At this date, it is impossible to foresee the speed with which these demands may grow, or even to predict their magnitude within the next few months. They will be determined, in large measure, by the weather and the course of business recovery.

These things, however, are certain: Distress already is widespread throughout broad sectors of American agriculture—it is growing rapidly—and neither local nor Federal agencies have the means to cope with it.

Senator HATCH. Mr. Secretary, from your remarks I gather that there is, in your opinion, a definite connection between the unemployment situation in the cities and the rural situation. That is, I mean by that, when your farmers are suffering drought and disaster, they migrate to the cities and find no work, industrial activity is slack, and they go back to the farm, and there is no work there.

Secretary WALLACE. Yes.

Senator HATCH. Have you any suggestions to make to the committee? Our study, you understand, is developing, and should develop more along the lines of what we can do, what recommendations can be made.

Secretary WALLACE. I had assumed that you wished me to discuss the more purely agricultural phases.

I recognize clearly, of course, that half of the farm problem can be solved only in the cities, and that the problem of the purchasing power of agriculture—the problem of how much 100 bushels of wheat or 100 bales of cotton can purchase in terms of urban production depends upon purchases made in the cities. The farmers have reason to be very gravely concerned by the fact that industrial production, according to the Federal Reserve Board, declined from 116 percent of the 1923–25 base in the first 7 months of 1937 to 83 percent of that base in the month of December 1937. That very rapid decline in industrial

production at a time when agricultural production is the greatest ever experienced in the Nation has caused the farmer most extraordinary concern, and they are exceedingly eager to see an increase in the volume of city production.

Taking agriculture as a whole, with livestock and crops, there has never been a decline in production from one year to the next, even with dry weather and droughts, such as has taken place in the last 7 months in the city industries.

Agriculture, even when affected by weather, has never had such a decline as industry has had, and industry is subject only to man-made conditions. Therefore I think that farmers as well as city people are exceedingly interested in the problem of what can be done to bring about greater stability in industrial production and industrial employment. It may not be amiss, therefore, and I feel perhaps I might be justified in making some comments although strictly speaking it is outside the agricultural field. I had not come up here with that object in mind, but I will be happy to give my views if you wish to have them.

Senator HATCH. Anything you care to offer to the committee we will be glad to have, Mr. Secretary.

ECONOMIC BALANCE

Secretary WALLACE. Well, might I first make this observation? As we go back over the last 20 years we find this:

The profits of corporations, the employment of labor, and the purchasing power of agriculture go up and down together; those three factors move in unison.

There is a tendency, first at one time and then at another, for one of those factors to get out of balance. When that factor gets out of balance, the results bring trouble to the other two factors. The extraordinary maladjustment produced by the World War has made it easy for first one and then another of these three factors to get out of balance with each other.

The heart of the problem, it seems to me, is expressed by the phrase "continuous balance," or, a little more fully stated, "continuous balance on such an ascending plane of production as will not provoke a recession."

That oversimplifies the problem, of course.

It seems to me altogether appropriate that Government, insofar as it has powers which can be used, should exercise those powers to bring about that continuous state of balance which will best promote the kind of expansion and production which will not bring with it recession.

Senator FRAZIER. The fact that the farmer has lost his purchasing power has a great deal to do with the industrial workers being laid off, too, hasn't it?

Secretary WALLACE. Undoubtedly. The wheel goes round, and we find ourselves caught in a vicious circle.

Various economists are pretty well agreed, I believe, on the cause of the immediate situation. I don't think there is much dispute about the cause.

We do know, for instance, that in the last half of 1935 the Government expenditures amounted to about $1.75 for each dollar of Federal receipts; in the first half of 1936 the Government expenditures amounted to about $1.84 for each dollar of Federal receipts; in the

second half of 1936 they amounted to about $1.85. In the first half of 1937 they amounted to about $1.26; in the last half of 1937 they amounted to about $1.08.

Calendar year	Cash receipts of U. S. Treasury	Cash expenditure of U. S. Treasury [1]	Expenditure per dollar of receipts
	Million dollars	*Million dollars*	*Dollars*
Second half, 1935	1,902	3,306	1.74
First half, 1936	2,214	4,072	1.84
Second half, 1936	2,158	3,983	1.85
Total, 1936	4,372	8,055	1.84
First half, 1937	3,136	3,954	1.26
Second half, 1937	3,176	3,420	1.08
Total, 1937	6,312	7,374	1.17

[1] Excluding those expenditures which involved merely transfers to trust funds held by the Treasury, such as for unemployment and old-age reserve, Government employees' retirement funds, debt retirement, and unexpended fund for adjusted-service certificates.

When the Government expenditures were very rapidly tapered off, it was obvious that an acute situation might be produced. The problem ahead is to discover the balance which should be maintained. Obviously, the Government cannot go on indefinitely spending $1.75 for each dollar of receipts. Equally obviously, if the reduction of expenditures is very rapid, as it was from late 1935 to late 1937, a state of unbalance may be produced.

Senator DAVIS. How long do you suppose, Mr. Secretary, that we can continue this spending program without its having a very bad effect upon all the country?

Secretary WALLACE. Well, do you mean to ask how long we could continue to spend $1.50 for each dollar taken it?

Senator DAVIS. That's right.

Secretary WALLACE. Well, I think all monetary experts are agreed, that if that were continued beyond a certain point—I wouldn't undertake to say just where the point is—the effect would be inflation. I do not think, in the case of the United States, anyone could say exactly where that point would be.

At the present time we are not faced with inflation. It happens that at the present time we are faced with deflation. Obviously, however, there is some place where the size of the Government debt would be such that the only way out would be inflation. That is the traditional analysis.

Many business men went on the assumption last spring that we had arrived at that point. You will remember that last spring business men bought with that in mind. That also helped to bring about this situation, but events proved that they were incorrect in their analysis. I do not think anyone can anticipate the exact amount of the debt that would bring about inflation or the time when it would occur, were we to spend $1.50 for each dollar of receipts over any prolonged period of time. I don't think anyone could tell precisely when that would take place, but I think eventually that course would lead to inflation as the way out.

Senator HATCH. I think you have stressed this morning—I know you have throughout the country—the general thought that move-

ments which benefit agriculture and the farmer generally are necessarily beneficially reflected in industry and business. Is that true?

Secretary WALLACE. As long as the principle of balance is conformed to, that is the result. At the present time there is no indication that a sufficiently large amount of Federal funds will go to agriculture so as to cause an unbalance. The danger would come if governmental attention were directed to some particular commodity in agriculture in such a way that the production of that commodity would be in excess of the demand. For instance, if a very high cotton loan were made, and as a result of that loan prices of cotton were held up for a number of years, and very large stocks accumulated, you could produce unbalance in that way. But, if the principle of balance is not violated, then I say that efforts of Government on behalf of agriculture tend to benefit both the business men and the laboring man in the city.

Senator HATCH. The point is that there is no clash or antagonism among the several groups; is that right?

Secretary WALLACE. It seems to me that cannot be reiterated too often. It is essentially important to hold up before the consciousness of all the people of the United States that the prosperity of these groups goes hand in hand. In specific situations they oftentimes feel that there is an antagonism, but fundamentally there is no getting away from the fact that the profits of business, the income of agriculture, and the pay rolls of labor, move along hand in hand. Statistically they cannot be separated. The only question is whether one of them is getting out of balance with the others and thus undermining the prosperity of all three. That is really the only issue involved. From a human-nature standpoint there are other issues involved, but, from a fundamental point of view, the only issue involved is that which I have just stated.

Senator HATCH. Another question suggested to me is the question of rural relief problems. In these cases where you say you are providing bare subsistence grants, as long as that policy continues of just barely enough, what effect does it have, well, on malnutrition, as you have already developed? I am talking now in terms of general economics. Is it economical that great portions of our people should have barely enough to exist on?

Secretary WALLACE. Well, the desirable solution, of course, would be to place those people in a position to do productive work of some kind, either on the farm or in town. That is what we are all hunting for, but, in some areas, such as those in parts of the Great Plains, where there isn't enough subsoil moisture to warrant granting aid to plant a crop, and the people are untrained in terms of city work, I don't know any other way of handling the problem except by making grants.

Senator HATCH. I am not criticizing you, but, as a general proposition, as long as large numbers of our population on the farms or in cities are not getting enough to live on, isn't that an uneconomic proposition?

Secretary WALLACE. It is a terrible thing. It is more than uneconomic. It is terrible from a human point of view.

Senator HATCH. I was confining it merely to economics.

Secretary WALLACE. Well, from an economic point of view there is just one answer: Put them in touch with some productive work.

Senator LODGE. Mr. Secretary, do you feel that the State governments are doing everything that can be done?

Secretary WALLACE. I suppose there are some State governments, that are not. I am not sufficiently familiar with that situation to say which ones are not, but in most cases the State governments are in such a financial position that they cannot handle the load. In some cases I think they can.

Senator LODGE. You feel the States should do everything they can; don't you?

Secretory WALLACE. Yes; I think the various localites should do everything that can be done. Speaking as a farmer, I want to make this observation however: Under the taxation system that exists in most of the States, especially agricultural States, property, to a great extent, bears the tax load rather than income. If complete responsibility for relief were placed on the States and local communities farmers would be required to bear a disproportionate share since their property rather than their income would be taxed to meet the cost.

Speaking as a farmer, I would like to say that I know that farmers are going to bear more than their share of the cost of relief if it is pushed back on the States and local communities.

Senator LODGE. Well, all home owners will, won't they?

Secretary WALLACE. Yes; but the farmers bear more than their share of the property tax in most States.

Senator LODGE. Isn't the answer to that to have a State income-tax law?

Secretary WALLACE. Yes, sir.

Senator LODGE. How many of these States have that?

Secretary WALLACE. I don't know. I don't have the figures in mind. But I can put it in the record.

Senator LODGE. In this time of financial stringency, when everybody should come in, when every subdivision should do its utmost, it is reasonable to suppose that every State should have an income-tax law; shouldn't they?

Secretary WALLACE. Well, I fought for an income-tax law in my own State for a number of years. I am very strongly of your persuasion, myself.

DROUGHT RELIEF

Senator FRAZIER. I was very much interested in your statement with regard to the drought areas, especially in these places where you have mentioned a large drought area, and it has continued for several years, there is no other way of taking care of them other than the methods we have just mentioned, of the old Resettlement, and now the Farm Security Administration, and under the present situation those farmers will, of necessity, need assistance until another crop grows, will they not?

Secretary WALLACE. Oh, absolutely.

Senator FRAZIER. I was wondering whether provision is being made to take care of those conditions until the crop grows. Will it be necessary to have a deficiency appropriation, in your opinion?

Secretary WALLACE. It looks as though we will not have enough money. I would rather have one of our men who is in the very midst

of this work testify as to the financial situation. I suspect the proper place for him to testify would be, perhaps, before the Appropriations Committee, but I do know that they feel there is not going to be enough money.

FARM SECURITY ADMINISTRATION PROGRAM

Mr. JOHNSTONE. Mr. Chairman, I think in relation to the specific program of the Farm Security Administration, it might be helpful for the Secretary to explain to us in what respect the loan policy of the Farm Security Administration differs from the crop-production loans and the seed loans.

Secretary WALLACE. The policy of the Farm Security Administration is to make supervised loans available to low-income farmers. The seed loans are made by the Farm Credit Administration; and the Farm Credit Administration is responsible directly to the President and not to me. The Farm Security Administration, however, is responsible to me.

FARM CREDIT LOANS

The seed loans under the Farm Credit Administration are not supervised. There is very little overhead expense incident to making seed loans. There is a great deal of overhead expense in connection with rehabilitation loans. My observation is that the overhead expense of rehabilitation loans is tremendously worth while and that from the standpoint of the Federal Government it would be a fine thing if the seed loans could be made on the same basis, although it is not nearly as necessary to make seed loans on that basis as it is to make the rehabilitation loans in that way. With farmers who have reached the relief level, the very heart of the problem is supervision.

Typically, the county supervisor handles about 140 farm families. The farmer who has no money comes to his office. He indicates that he can rent a particular piece of land if he can get a loan of $300 or $400. The county supervisor asks him how many acres of that he proposes to put, we will say, into cotton; how many acres into forage; how much of a garden he will raise; how much money he will need for groceries to see him through until the next fall; whether or not he will have to buy a mule; whether or not he will have to buy a plow. A sound farm plan is figured out with the farmer and the supervisor helps him follow it through the crop year so that he will be able to pay off a part of his loan by the next fall, that is, pay off the seed and grocery part of the loan, and pay off, we will say, a fifth of the loan for livestock, and that kind of thing. Well, that kind of supervision is invaluable.

About 6 months ago figures came in from Alabama on 15,000 farm families there who had gotten these supervised loans. Either 2 or 3 years ago these families had an average net worth of $3 each. They were lent an average of $300, perhaps a little more or a little less, of which they have already repaid over half, and they now have an average net worth of over $360.

Well, that was rather an extraordinary job that was done for those 15,000 Alabama families.

The experience in the northwest has not been nearly as favorable because the drought has made it very difficult. In other sections however, where the weather has been more favorable, the results in terms of human rehabilitation have been altogether extraordinary and the net cost to the Government will eventually prove to be very, very slight, because the repayments are good, and I think the very heart of this thing is supervision. I think it is most important to have supervision.

I would like to tell a little story here, if I might, to illustrate how important supervision is.

Senator HATCH. Go right ahead.

Secretary WALLACE. In a certain State one of the wealthy foundations started a tenancy program on rather a small scale, in cooperation with local agencies. It went along but the supervision was not good, and 3 years later a certain economist went to see what was happening to some of the farmers who had been started out by this foundation. Interest had lagged, and one of the local men who had not been able to give much attention to those farmers because of inadequate funds locally, said, "Let's go call on this particular farmer at his place and make the inquiry."

Lo and behold, the farmer had not been there for a year and a half.

In this instance money was lent without supervision. The kind of thing that happened can so easily happen unless there is real supervision.

In England, with their housing program, their experience was the same. Supervision is expensive but I think it is true economy, both from the standpoint of government and from the standpoint of humanity.

Mr. JOHNSTONE. When you consider the percentage of money that is repaid it is probably not as expensive as unsupervised loans; is it?

Secretary WALLACE. I think that is true, though I may say this: In the southeast the experience on repayment of crop loans has been exceptionally good. They have worked out a system there that is very economical and gets very good results, but, on the whole, it does not reach the same type of farmers that the Farm Security Administration deals with.

REHABILITATION LOAN RECIPIENTS

Mr. JOHNSTONE. Mr. Secretary, in what respect are the recipients of these rehabilitation loans in better condition or position than the ordinary sharecropper and tenant who gets his loans from various sources, including the seed loans?

Secretary WALLACE. Well, they are able to borrow the money at a lower rate of interest. They get the advantage of skilled supervision.

Many of the sharecroppers pay a rather high price for their groceries and supplies because they buy them on time. I don't say that is universally the case, but let us say that rehabilitation loan cases have some advantage over the tenant who is on the old system; some advantage, I don't know just how much. Under the old system it depends on what kind of a landlord the tenant has.

Mr. JOHNSTONE. Don't they produce a greater percentage of their subsistence than the ordinary sharecropper?

Secretary WALLACE. Yes. I have been in the storerooms, the pantries, or caves, of a great many of these farmers who have rehabilitation loans in the South, and practically every one of them had 300, 400, 500 quarts of canned goods put away. It makes a tremendous difference, as far as the health of the family is concerned. I would estimate that in the past nearly three-fourths of the share-croppers of the South have suffered from one form of vitamin-deficiency or another. I would say at least three-fourths, and the volume of canning by farm families on rehabilitation makes a lot of difference in their health. There are exceptions, however.

In southern Georgia, for example, I asked the county supervisor and home supervisor in a particular county to take me to the farmer with whom they had had the poorest experience. I found that the farmer had absolutely refused to grow anything that could be canned. He wanted to plant every acre possible in cotton so that he could have the cash. Their family diet was chiefly corn bread and molasses, and the effect on the woman and the children was apparent. There was definite vitamin-deficiency; you could see it in their faces and their bodies. The farmer himself, though, was the sturdiest citizen I ever saw anywhere. Apparently he was able to get along with less vitamins than most people.

RURAL WORK RELIEF

Mr. JOHNSTONE. Has the farm program some policy of developing work-relief similar to the work-relief program in the cities and urban areas?

Secretary WALLACE. So far, of course, work-relief has been handled by the W. P. A. Farmers are, under certain circumstances, eligible for W. P. A. and we have, of course, cooperated with that agency. However, there are certain other types of work-relief activities which farm people felt they could engage in and which they urged us to undertake since the W. P. A. did not want to engage in them. It was felt by the W. P. A. though it might confuse the situation if we engaged in what might be termed another type of W. P. A. and that we might be accused of a split policy.

Mr. JOHNSTONE. You spoke of expanding the loan program, the policy of expanding it by two or three times. Do you anticipate any difficulty in that expansion, in view of the proposed general reduction in acreage planted in the United States.

Secretary WALLACE. You are referring particularly to cotton acreage, I assume?

Mr. JOHNSTONE. The land crops, particularly on cotton and tobacco.

Secretary WALLACE. It would seem to me that there is not an essential conflict there. Under the new legislation, by the way, these small farmers would be allowed a certain minimum anyway, and the all important thing with them is that they work out the best kind of subsistence living. Loans to make it more possible for them to produce a higher percentage of good food at home is the vital need. I think it can be fitted in, although I know you realize, as well as I do, that we have an extraordinary cotton problem on our hands for the next 2 years. It is one of the most difficult situations that we have ever faced.

DISPLACEMENT IN COTTON GROWING AREAS

Mr. JOHNSTONE. Is it anticipated that dealing with that situation will result in any appreciable displacement of the people now in the cotton land?

Secretary WALLACE. Obviously when we harvest an 18½ million bale crop, it requires more pickers than when we harvest a 10 or 11 or 12 or 13 million bale crop. On the other hand, suppose we went along for several years with an 18 million bale crop. While, conceivably, we would have a real need for pickers and people who are engaged in handling cotton, the income of the landlords would be reduced, as a result of the 2- or 3-cent price that cotton would then bring, to such an extent that while there would be plenty of work to do, everybody in the South would be in the most extraordinary kind of trouble. I am quite familiar with the types that you are referring to. I know that there are certain people interested in the export trade, and who have no concern for the welfare of the South. They really speak on behalf of the export trade, and would like to see us go ahead with very large crops, year after year. I feel, however, from the standpoint of the South as a whole, that the better counsel is the counsel of balance; of producing that amount of cotton which can really be sold on a basis that will provide a decent income to the South.

Fundamentally, as we all know, the difficulty in the South is that the farms, on the average, are a little too small, and the soil is not as fertile as it should be. When you have a large number of people and not enough land, or land that is not as fertile as it should be, a very, very difficult situation is presented. There is no magic way out.

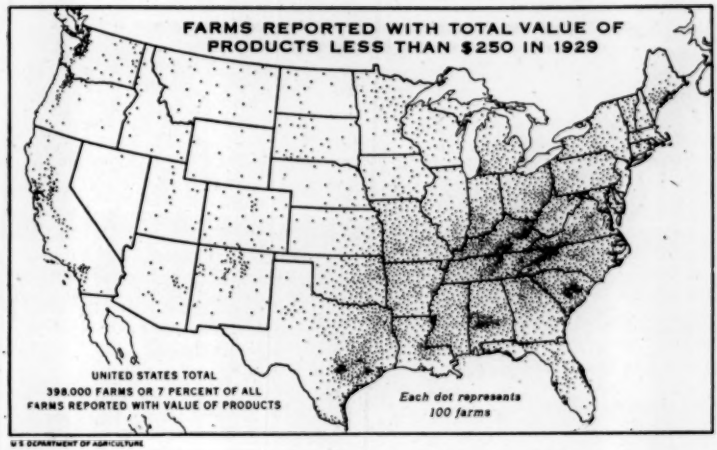
Mr. JOHNSTONE. In the ordinary course of events, a considerable number of those people would have to leave those small farms and that infertile land to achieve a good standard of living?

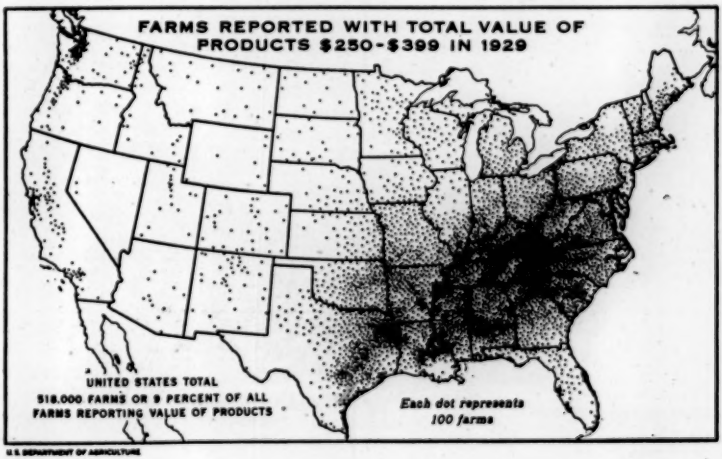
Secretary WALLACE. Yes; although we can, by this method of increasing the food and feed crops, make the situation more tolerable than it is. The real need for rehabilitation loans is to make the situation more tolerable than it is, but there is no prospect of enabling those people to bring up their standard of living to that comparable to most of the other agricultural sections of the country. It just cannot be done. However, we can make it more tolerable.

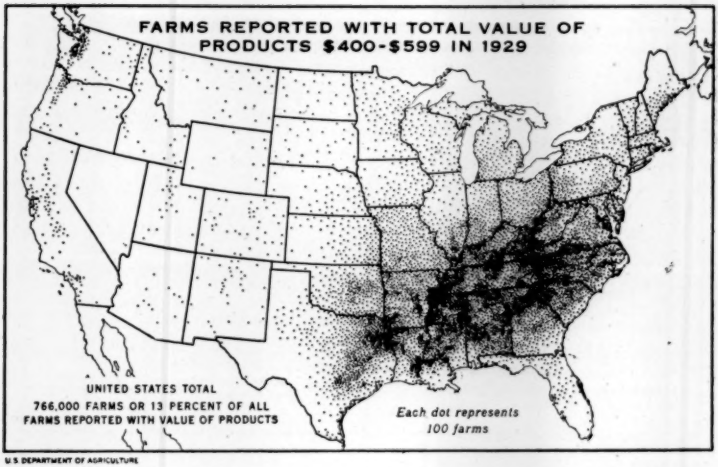
Mr. JOHNSTONE. Thank you.

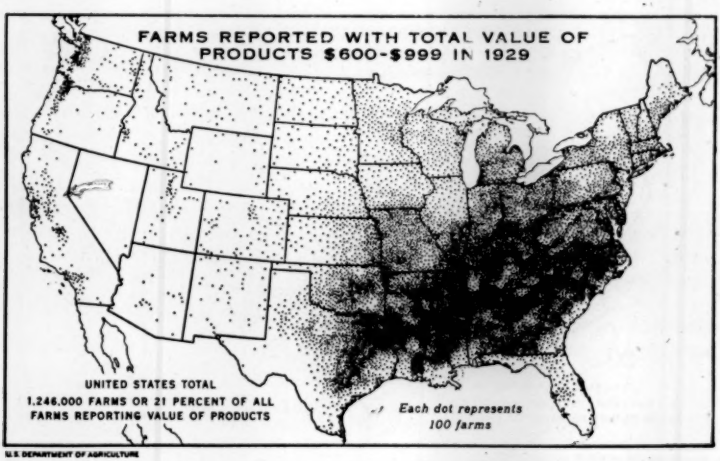
Senator HATCH I think, Mr. Secretary, from your remarks, as a whole, at this time, now, and in the immediate future, the committee can assume that we are bound to have a continuing problem of some sort of farm relief in some parts of the country that is at present confronting us.

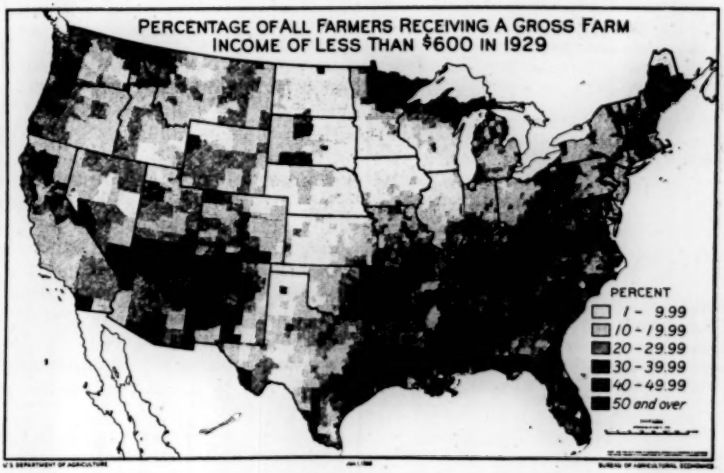
Secretary WALLACE. These charts [indicating] are, each of them, different. They might be of interest to members of the committee. They show where these low-income groups are found.

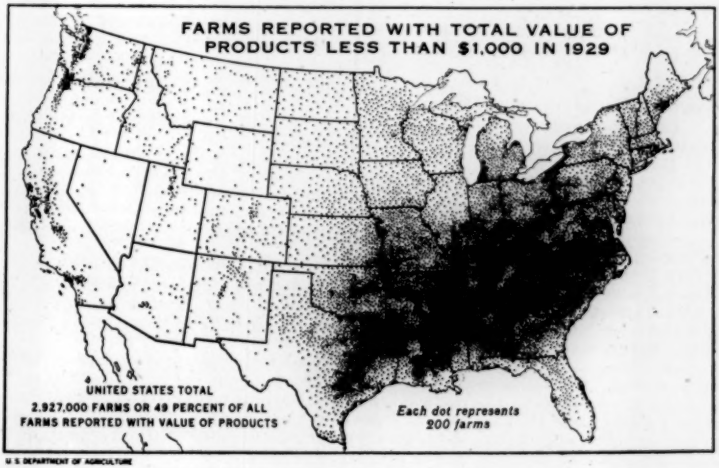

FARMS REPORTED WITH TOTAL VALUE OF PRODUCTS LESS THAN $250 IN 1929
UNITED STATES TOTAL
398,000 FARMS OR 7 PERCENT OF ALL FARMS REPORTED WITH VALUE OF PRODUCTS
Each dot represents 100 farms
U S DEPARTMENT OF AGRICULTURE


FARMS REPORTED WITH TOTAL VALUE OF PRODUCTS $250-$399 IN 1929
UNITED STATES TOTAL
518,000 FARMS OR 9 PERCENT OF ALL FARMS REPORTING VALUE OF PRODUCTS
Each dot represents 100 farms
U S DEPARTMENT OF AGRICULTURE


FARMS REPORTED WITH TOTAL VALUE OF PRODUCTS $400-$599 IN 1929
UNITED STATES TOTAL
766,000 FARMS OR 13 PERCENT OF ALL FARMS REPORTED WITH VALUE OF PRODUCTS
Each dot represents 100 farms
U.S. DEPARTMENT OF AGRICULTURE


FARMS REPORTED WITH TOTAL VALUE OF PRODUCTS $600-$999 IN 1929
UNITED STATES TOTAL
1,246,000 FARMS OR 21 PERCENT OF ALL FARMS REPORTING VALUE OF PRODUCTS
Each dot represents 100 farms
U.S. DEPARTMENT OF AGRICULTURE


PERCENTAGE OF ALL FARMERS RECEIVING A GROSS FARM INCOME OF LESS THAN $600 IN 1929
PERCENT
1 - 9.99
10 - 19.99
20 - 29.99
30 - 39.99
40 - 49.99
50 and over


FARMS REPORTED WITH TOTAL VALUE OF PRODUCTS LESS THAN $1,000 IN 1929
UNITED STATES TOTAL
2,927,000 FARMS OR 49 PERCENT OF ALL FARMS REPORTED WITH VALUE OF PRODUCTS
Each dot represents 200 farms
U. S. DEPARTMENT OF AGRICULTURE

Senator DAVIS. Does the black part indicate the low-income area?

Secretary WALLACE. Yes. These are the farms [indicating] that reported a total value of products of between $600 and $999.

Senator DAVIS. The farms up in this particular section [indicating] if I understand you, are not producing, practically.

Secretary WALLACE. You mean in the North Dakota and South Dakota section?

Senator DAVIS. Yes.

Secretary WALLACE. The drought in western North Dakota during the last few years has resulted in their raising practically nothing.

Senator DAVIS. As I understand it, there are many farms east of the Mississippi River that are available to those people, too. Do you know anything about that?

Secretary WALLACE. No; I do not know of any large number of farms east of the Mississippi River that are available. The demand by tenants for farms has been unusually active in the eastern part of the United States, in the past 2 years, and I would think that the eastern landlords would prefer to take the men who were more familiar with the local situation. Of course, we can help a few tenants to become owners under the Farm Tenancy Act, passed last spring, but I do not think there is any likelihood that the Government can go very far toward a solution of the whole problem by this approach.

Senator HATCH. Do you have anything else you want to offer?

Secretary WALLACE. No; I do not think that I have.

Senator HATCH. Thank you.

(Following his testimony before the Senate Committee to Investigate Unemployment and Relief, Secretary Wallace sent the following letter to the chairman of the committee, Senator Byrnes, and later sent some additional comments in a letter to Senator Hatch under date of January 12:)

JANUARY 12, 1938.

Hon. JAMES F. BYRNES,
United States Senate.

DEAR SENATOR BYRNES: After I testified before your subcommittee this morning the idea occurred to me that it might be well if I replied somewhat more fully to the request made during the discussion that I submit any comments I might have on the general problem of the recession itself.

As it happens, in several of my recent speeches I have made comments on various aspects of the recession, including a statement on the causes of the recession and some suggestions as to what steps might be taken in curing it. Below I am bringing together paragraphs from several recent speeches along this line in the thought your committee might find them of interest.

From speech of December 17, 1937:

"Another discipline to which farmers have subjected themselves may also be of suggestive value. Under the crop loan and storage system, the Government can aid farmers temporarily to support the price of their products, at the cost of building up storage reserves and necessitating subsequent adjustments in production. Farmers are subject to the constant temptation of urging the Government to make these loans high, to get the largest possible immediate revenue out of the current crop. If the loans are placed too high, domestic consumption and especially export demand will be reduced, and the surplus remains unabsorbed. Out of the experience of the past several years farms have learned to submit themselves to the discipline of looking not only at the immediate value of the crop, but at the long-time effect of the loan on the ability to sell the crop here and abroad. The new freedom from the paralyzing effect of bumper crops which the ever-normal granary plan gives to farmers, has thus been matched by a new discipline of moderation in the extent to which they use that freedom, in giving due weight to the long view ahead as well as to the beneficial effect for the immediate moment. It seems to me that labor and particularly business must equally learn the moderation of such a long view ahead in establishing wage, hour, and price policies. The

overeagerness of many businessmen to increase their profits a year ago by piling up inventories to make a killing on rising commodity prices, and doubly to expand profits by not only selling more units but also by taking larger profits per unit, are not without their effect in the subsequent recession. Business and labor leaders must learn to discipline their price and wage policies on behalf of the long-time general welfare. * * *

"The new freedom which the New Deal has learned—to expand production through the use of Government spending—carries with it a responsibility for contracting spending once private debt formation has begun to take its place. It also carries with it, however, the responsibility for delicately adjusting the amount of debt created both in the periods of expansion of spending and periods of contraction of spending in such a way that it will not only prime the economic pump, but will see that the business pump continued to work as the Federal priming is gradually withdrawn. There is some evidence that in our attempt to withdraw priming in the past 12 months we acted somewhat too impetuously, attempted completely to balance the Budget more rapidly than the business system could stand, and so contributed to the current recession. The discipline that both business and Government must learn in this respect is the discipline to talk and act in terms of a little more or a little less, rather than in sudden changes from nothing to everything or from everything to nothing * * *.

"In the 7-year period, 1923–29, corporations reporting earnings retained 32 billions of dollars of profits. During the major part of this period the maximum surtax on personal incomes was only 20 percent. This means that 32 billions of dollars of personal income escaped any proper income tax. A complete repeal of the undivided profits tax, with personal income taxes where they now are, would make a farce of our whole theory of progressive taxation based on the principle that those best able to pay should assume a greater proportion of the burden. I believe that where corporations or individuals actually invest their money at risk in new expansion, employing both labor and materials, certain exemptions should be granted, but only on condition that the retained moneys not thus used should be even more heavily taxed."

From speech, January 3, 1938:

"Farmers, workers, and businessmen all suffer when investment varies widely from time to time, and when steel and other durable-goods industries fluctuate erratically between frantic attempts to fill orders at one time and almost complete stagnation at others. When new investment, or even the expenditure of depreciation reserves for repairs and replacements, is checked by business uncertainty or fright, or by investors' fears, business activity, industrial pay rolls, and the demand for farm products collapse together. It doesn't do either labor or agriculture any good to scare capital; instead, they must all find ways to work together. Means must be worked out so that repairs and depreciation can be made good, and new plants created, more evenly year after year, instead of all in a lump when times seem good. Cooperation between farmers and workers is needed for expanding production, and cooperation of both with businessmen and investors is needed to create a steady flow in the creation of durable goods. If this problem can be solved, much of the extreme ups and downs of the business cycle may be smoothed out.

"What we want is a long, steady pull upward. Most people know that the business expansion last spring was not healthy. It was too much based on the bonus expenditures of 1936, on other Government expenditures which were rapidly being tapered off, on an irregular foreign demand for war materials, on a rush of businessmen to build up inventories to protect against anticipated price advances, and on building costs which were far out of line with the capacity of people to pay. Too many people were buying because they thought inflation was just around the corner. There was little concept of a long, steady pull for permanent prosperity. This recession is giving all of us, labor, capital, agriculture, and Government alike, a much needed lesson."

As to what might be done about it, the statement I made in a speech December 6, 1937, on the general question of the interrelation of agriculture, business, and government may still be of interest.

"The President last week in his message to Congress on housing dealt with one of the most important single items having to do with recovery. We need at least 500,000 new houses a year. During the last 5 years we have produced an average of only about a hundred and fifty thousand. In the first 4 months of this year we produced houses at a lively rate, but then building costs shot up so fast that it became apparent that the ultimate consumer of houses would have to pay too high a percentage of his income for rent or payments on his home. Here in the building of houses is a splendid opportunity for labor and capital, cooperating, to

serve the consumer in a way that will give the consumer the utmost satisfaction while at the same time labor is given steady employment and capital obtains reasonable profits. To do this requires planning and coordination of exactly the short that is a challenge to modern, efficient democracy. In my opinion, the President's housing message to Congress last week was a stirring challenge to the courage and intelligence of the American people. If we start building houses in a sensible way year after year, an enormous volume of freignt will be created for the railroads. The public utilities will be stimulated. The steel mills will be producing fully twice their present output. The farmers will have good customers in the cities, and the automobile factories will have a market for production fully equal to that of last year. It is important, of course, in housing as in everything else to observe the fundamental principles of balance and coordination so as to avoid the danger of several years of overproduction of houses followed by several years of dull times.

"There is no lack of private funds to finance the building of houses. The banks are strong and full of money, and the Federal Reserve System is in position to see that there is a superabundance of cheap credit insofar as that will help. Yes, we have the power to pull out of this present recession with great speed, but the Government cannot do the job by itself. Labor, agriculture, and industry must all think more definitely about functioning in a coordinated way. Each of the three groups may have to give up some of its pet ideas and substitute for them ideas which make possible cooperation and the service of the general welfare. If this is done, the industrial production of the United States within 3 years can be at least 40 percent greater than it is today. Such a volume of production is a moderate goal that should not be outside the realm of practical attainment. If by taking thought we can maintain a volume of industrial production this great, year after year, the result will be greater profits for capital, greater real wages for labor, and a greater purchasing power for farm products. The National Budget can be balanced and the public debt reduced.

"In brief, there are certain practical policies and measures that are called for and with which thoughtful businessmen, laborers, and farmers can agree. These are:

"First. Revival of housing as outlined by the President.

"Second. Revision of taxation policy to cure injustice but to maintain revenue.

"Third. Maintenance of farm purchasing power and protection of the consumer by enacting a workable form of the evernormal granary into law.

"Fourth. Maintenance of the purchasing power of labor and therefore protection of markets for farm and industrial products by a sensible labor program.

"Fifth. Assurance of an abundant supply of cheap credit and capital through a healthy securities market, to encourage increased output and employment.

"Sixth. Provision of Government capital in case of need to carry the burden until such time as the use of private capital takes its place.

"Seventh. Continuance of our careful, thoughtful approach to the revival of world peace and world trade by means of Secretary Hull's trade-agreement program.

"Through steps such as these seven, agriculture, labor, business, and Government may cooperate in a common-sense way to resume the recovery march."

Trusting that you will find these comments of interest, I am

Sincerely yours,

H. A. WALLACE, *Secretary.*

JANUARY 12, 1938.

Hon. CARL A. HATCH,
United States Senate.

DEAR SENATOR: When I talked with you later in the day of January 11 following my testimony before Senator Byrnes' Committee to Investigate Unemployment and Relief, I realized that there were several points on which I had not made myself so very clear.

But the particular point which came out in my subsequent conversation with you had to do with the relationship between rate of debt creation and prosperity. It is not commonly realized that the unusual prosperity of the 20's was due in very large measure to the extraordinary increase in private debts. Students of the subject knew, however, that when the speed of debt creation of the late 20's came to an end, there was bound to be a recession. American lenders, having access to a cheap and lightly taxed capital market, loaned from 1922 to 1929 about 30 billion dollars to borrowers inside the United States and about 5 billion dollars to borrowers outside of this country. These 35 billion dollars financed

the prosperity of the 20's. From a national point of view as distinguished from a Federal point of view, it might be said that the National Budget became unbalanced in the decade of the 20's to the extent of more than 30 billion dollars.

I mention the volume of private debt expansion in the decade of the 20's because of its bearing on the criticism which is so often made of the rate of Federal debt expansion from 1930 to 1938. Private capital, after its disastrous experience in the decade of the 20's was timid about resuming its normal functions. It became essential, therefore, for governmental capital to take up the burden which private capital was loath to assume. Because of the emergency and the human problems involved, much of the expenditures of governmental capital has been for purposes which are not self-liquidating. It is obvious from a long run point of view, insofar as governmental capital is used, it should be for purposes which in the main are self-liquidating or provision should be made for eventually extinguishing the Government obligation by means of taxation. On the whole, it is probably better to expand debt in the United States by means of private credit rather than governmental credit. When private credit is used in ways that do not prove to pay, it is possible to wipe out the whole transaction by means of bankruptcy proceedings.

But in the case of both governmental and private capital, it is essential that the rate of debt expansion be at a rate which will produce a steady rise in national production without danger of recession. When debt expansion, whether caused by governmental or private capital, is too great, there is an undue increase in inventories and too much building of various kinds which results in an inevitable recession later on. When there is an expansion in debt of less than 2 percent, there is stagnation and unemployment.

Obviously if the new debts are to be as self-liquidating as possible, it is important that they be for sound purposes. It is at this point that public psychology comes in. There are certain times when all of us are overpersuaded as to the merits of particular types of human activity, and there are other times when all of us are much too completely dubious about the merits of any type of human activity. To some extent these alternating periods of unwarranted gloom and undue optimism are in the nature of infections. Both of them lead to distortions of judgment. In an excessive form they are like the chill and fever of the ague. Money, of course, whether it expresses itself through banking policy or through Federal fiscal policy is only one factor. But it is a vital factor insofar as it has to do with the rate and quality of debt creation.

The psychology of many businessmen seems to be such that they cannot separate the probable long-term future of their industry from the joy or gloom of the immediate short-time situation. As a result during periods of pessimism, they make no provision for future plant, and often even do not replace depreciation; and then in periods of optimism proceed to build in a short time all the plant and equipment that should have been spread over many years. For example, the electrical utility industry, which enjoys one of the stablest of all markets for its products, has one of the most variable rates of plant expansion.

The present administration is still under the necessity of trying to bring stability into a situation which was precipitated in considerable measure by the after effects of the unduly rapid private debt expansion of the 20's for purposes which in their very nature could not be self-liquidating. The problem of the future, as soon as we can get out of the emergencies created by the unwise policies of the 20's, is to use governmental monetary and fiscal policies in cooperation with private agencies to see that both governmental and private credit are used to bring about a steady but not too rapid expansion in business activity and production. The use of credit should be for purposes which so far as possible are self-liquidating, directly and indirectly, and which promote that balanced expansion in the production of the right kind of goods which can be maintained year after year without recession. Past experience, however, indicates that rising business will also mean rising total debt; what we should aim to do is to keep the two in such balanced proportions, and devoted to such uses, as to prevent or minimize future recessions.

Sincerely yours,

H. A. WALLACE, *Secretary.*

Senator DAVIS. May I insert in the record here a letter received this morning from George W. Romney, representing the Aluminum Co. of America, enclosing a statement from Mr. Hunt, the president of the Aluminum Co. of America? Mr. Hunt lives in the

city of Pittsburgh. I think this statement that he has issued will be of interest, and will be a valuable addition to the record.

Senator HATCH. If there is no objection this may just be printed in the record.

ALUMINUM CO. OF AMERICA,
Washington, D. C., January 10, 1938.

Senator JAMES J. DAVIS,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Because of our operations in your State, I am attaching hereto a copy of a statement made today by the president of our company. Mr. Hunt in this statement outlines the production policy we are now pursuing as a means of contributing to the fight against the present recession and unemployment. You will note that we pursued this same policy during the depression.

I will appreciate your reading this statement and, if there is any additional information you desire, I will welcome the opportunity to supply you such information.

Respectfully yours,

ALUMINUM CO. OF AMERICA,
By GEORGE W. ROMNEY.

ALUMINUM CO. OF AMERICA,
Washington, D. C.

PITTSBURGH, PA., January 10.—The current recession in business can be more quickly stemmed if both industry and Government will state what they are going to do about it, declared Roy A. Hunt, president of the Aluminum Co. of America, today as he outlined what his company is doing to keep up production in its plants producing aluminum ingot despite falling off of demand for aluminum products. Mr. Hunt said:

"Frank statements of policy by industry can have a most beneficial effect on the welfare of the country and much good can result if American industry and Government will today make known their intentions in the fight against the present recession.

"Speaking for our company, despite a falling off in orders in the past 3 months of more than 60 percent, the Aluminum Co. of America has not curtailed its production of ingot. The company is doing its part by maintaining a steady program of production of aluminum ingot even though demand for aluminum products is curtailed and there is a dearth of orders from its thousands of customers. In the lean years after 1929, the Aluminum Co. of America followed this general policy, maintaining production greatly in excess of shipments until it had accumulated a stock of more than 300,000,000 pounds of aluminum—literally acres of it—a total of more than three times the average annual shipment during that period and about one-third more than its entire shipments in the boom year of 1929. This policy resulted then, and is resulting now, in a steadying influence on employment in the communities where these plants are located.

"When other prices were rising rapidly last spring, the Aluminum Co. announced April 8 that its policy would be to maintain its prices for the balance of the year. The company believes that all users of aluminum and the public in general benefited by this policy. The price of aluminum ingot in 1926 was 27 and 28 cents per pound. In 1929, it was 24.3 cents per pound, while today the price is 20 cents per pound.

"Also on April 8 of last year the company announced a $26,000,000 expansion program which it is continuing in in spite of the present recession."

Senator HATCH. Colonel Ayres.

Is Col. Leonard P. Ayres present?

STATEMENT OF LEONARD P. AYRES, BANKER, CLEVELAND, OHIO

Senator HATCH. Colonel Ayres, you might state your name to the committee.

Colonel AYRES. Leonard P. Ayres, Cleveland, Ohio.

Senator HATCH. What is your profession?

Colonel AYRES. I am a banker.

Senator HATCH. I understand that you do not have any prepared statement.

Colonel AYRES. No, Senator, I have no statement.

Senator HATCH. Might I call your attention to something which I have observed in the press, statements made by you in Cleveland on December 14?

Colonel AYRES. Yes.

Senator HATCH. Where you predicted that both industrial production and stock prices probably would average lower in 1938 than in 1936 and 1937.

Colonel AYRES. Yes.

Senator HATCH. And that wholesale prices also probably would be lower than they have been this year; and automobile production likely will be smaller by from 25 to 35 percent. Would you care to comment on those statements; or if there is anything else that you care to offer we will be glad to hear from you.

Colonel AYRES. May I make a statement, Senator, about the general situation, as it appears to me, first?

Senator HATCH. Yes.

Colonel AYRES. In the past 100 years we have had in this country 13 really serious depressions. Each one of those depressions has been preceded by certain economic changes, which we may call warning signals.

Before each one of the truly serious downturns in business there has been a decline in bond prices, usually 9 or 10 months before the serious decline in business. That has been followed several months later by a decline in stock prices; and that has been followed a little later by an advance in current interest rates.

Those three developments have taken place before this business relapse; bond prices turning down in the latter part of 1936, stock prices declining in March 1937, in the first of the declines, and a small but definite increase in interest rates taking place slightly later.

I cite these because they seem to me to be symptoms of a change in business conditions which appeared very definitely earlier than the really serious developments in business production and activity itself; and it seems to me that they have a peculiar significance for us now because they have a bearing on whether or not there could have been any concerted action with respect to business activity. They seem to constitute some evidence that that was not a possibility, since these things began to take place so far in advance, and at a time when business confidence was, generally, very good.

CAUSES OF BUSINESS CYCLE CHANGES UNKNOWN

So it would seem to me that we must still, unfortunately, confess that there is no concensus of economic judgment amongst students of such matters, as to why the changes that we call business cycles take place.

For example, we do not know why investors decided, away back in 1936, that they did not desire bonds as much as they had a few months earlier, and so the prices began to go off; and, similarly with stocks in the spring of 1937.

And so, while believing that the evidence indicates that we do not know the fundamental causes of such a change as we, unfortunately,

have with us, I should go on to say that it appears to me that the most serious immediate factor in this situation, and the one perhaps mostly accounting for the suddenness and the drastic nature of the industrial decline, is the very large inventories that were piled up in the spring and the summer of this past year.

In 1936, and in the early part of 1937, business was active, and, in the main, increasingly so. Prices were advancing rapidly. Business men increased their inventories; and, in view of the sustaining demand for the goods that they made, or in which they dealt, they made commitments further ahead than they normally had made, or would make. Probably it is true that they were actuated in doing this by the strong demand which, perhaps, was, in no small degree, accentuated by the large bonus payments. No doubt part of the rising tendency of commodity prices was due to the rearmament programs abroad. Probably, also, fears of labor difficulties made some firms decide to accumulate larger inventories of goods than they might need, or than they would otherwise have done.

Perhaps there was also some fear of inflation as one of those elements, but I should personally doubt if that was a major factor.

INVENTORIES AND RECESSION

Senator HATCH. You do place the enlarged inventories as one of the major factors?

Colonel AYRES. I think so. Last spring there were many warnings about prices rising too far and too fast. Businessmen began to modify their programs of accumulation and of forward commitments. Pretty shortly they began to adopt policies of working down those inventories rather than increasing them. Those factors seemed to have brought about, in the autumn, a sharp and sudden curtailment in production. That, undoubtedly, was accentuated by the extreme fall in stock prices in the months of September and October.

So we have at present a situation in which many firms throughout the country have larger inventories than they would normally carry even if business were going forward at the normal volume of activity, and definite policies of working down those inventories are being practiced.

It has resulted in one of the sharpest of all declines in production that we have had in our business history.

RECOVERY FORECAST FOR 1938

It seems to me that we should reach the bottom of this recession, or relapse, in the first half of this year, because consumption is now going forward, I am sure, much faster than production. Normally, I should think that recovery from this particular relapse will be more slow than the descent into it, for the descent has been of record-breaking rapidity.

Under the circumstances, it seems to me that whether or not this relapse becomes a long and serious part of a depression, or only a halt and temporary hesitation in a recovery movement, will depend mainly on what happens abroad.

Business activity in the industrial countries in Europe has gone forward in the recovery from the great depression more rapidly than it has here. Their business cycles have run so far and have mounted

so high that they have, in the main, exceeded in production the old highs of the predepression prosperity, which ended in 1929.

If, now, our own relapse should be a factor in bringing about a major downturn in countries abroad, then that condition abroad might operate to postpone or make highly difficult our own recovery here.

And, so, because of that, it seems to me that much will depend on how promptly and how vigorously an upturn can be gotten under way in this country, for if it is delayed in time and small in amount, it might well be that a world downturn will get under way, and result in greatly impeding our own recovery.

Senator, where do you want me to go from there?

Senator HATCH. I think, Colonel Ayres, you understand the fundamental purposes of this committee, which was originally authorized for the purpose of studying generally subjects of unemployment and relief.

Colonel AYRES. Yes.

Senator HATCH. Primarily unemployment. We have felt that great numbers of unemployed people throughout this country were definitely an economic detriment to the country, as a whole, if you want to put it on that basis. Some of us have believed that it is a problem for industry, business, Government, and all of our citizens, jointly; that it is not only a problem of Government to attempt to solve or find a solution for those people who cannot find work in our country. We are seeking definite, constructive advice in that direction. We would like very much to have your help, and the help of all other students of the question to assist in finding what we in the Congress can do, and what business can do to help this situation. If you have any suggestions along those lines we would like very much to have them.

Colonel AYRES. Of course, Senator, I should completely agree that this is a time for cooperation and tolerance, and good will, between business, government, and labor. And only by such cooperation can we hope to have the sort of recovery that all of us long for.

Senator HATCH. Whether you express it in terms of cooperation or not, the point I was making is that it is to the actual advantage of each group, labor, and business, and, the Government itself, each has a material interest in finding the solution for the problem.

ELECTRIC UTILITIES KEY TO RECOVERY

Colonel AYRES. Of course it has. Senator, if I may speak a few moments in economic terms, overlooking, or omitting consideration of political difficulties, I should say that the key log of this economic jam in which we find ourselves probably lies in the situation of the electric utilities.

Before the depression the electric utilities had been, for a series of years, getting new capital by capital flotations in the security markets, amounting to about $1,000,000,000 a year; and they had been carrying forward programs of construction of about $1,000,000,000 a year.

In the depression years they have been getting new capital of only about one-twentieth of the previous amounts, and their new construction, or repair and rehabilitation construction, has amounted to something like only a quarter of its former volume.

There is a great country-wide industry, which would be not merely able, but eager, to return its expenditures to the old level of a billion

dollars a year, and I think more than that, if it could feel assured that there were reasonably good prospects for a return on the investment. If that could be, then the result would be a very large increase of traffic on the steam railroads.

Before the depression the railroads were spending $2,000,000,000 a year in capital expenditures, and for materials. They have been spending, in the depression years, perhaps three-quarters of a billion; and latterly, very little indeed. They have a petition pending here in Washington for an increase in freight rates, but the increase, to give them the sort of revenues that would enable them to return to something like their previous expenditures, would have to be on a larger volume of traffic than they now have.

If the utilities were returning to their old construction programs, the construction programs of about the old volume, the railroads would have a sufficiently increased volume of traffic so as to be able themselves to go back to something like their earlier amounts of capital expenditures and purchases of materials.

If those two things happened the iron and steel industry would be prosperous. The motor industry would be active and prosperous.

If that chain of events should take place the construction problem would be on its way to a solution.

But the key, it seems to me, lies in the first link of that chain, and is rather with the electric utilities than with anything else.

You have asked me, Senator, what specifically, in my opinion, the Congress could do.

CONFIDENCE AND RECOVERY

I believe that there is no panacea, no one thing, or two or three things that it could do to effect an upturn from this relapse, but, rather, that the contribution which the Congress could make would have to be a series of acts, all looking in the same direction; no one of them, perhaps, very dramatic, but all tending to create and restore confidence on the part of business which, at the present time, is investing very little new money in enterprises; and it must invest more money in enterprises if we are to have the sort of upturn we are talking about.

I think that the most productive investment that the Congress could make toward that end would be a repeal of the tax on undistributed profits. I think a repeal would be far more effective than an amendment, no matter how far the amendment might go; and that the reason for that may fairly be described as being psychological rather than directly economic.

Rightly or wrongly, businessmen appear to regard the tax on undistributed profits as embodying an attitude of Government toward business, which is unfriendly toward business. Should it be repealed I think it would do more toward wiping out that widespread belief than any other thing of a comparable sort.

Senator, we have been discussing this matter of business confidence in Washington for a very long time. I looked up, a while ago, in a book of quotations and selections, the word "confidence" to find out when it had been used in Washington previously in discussing business depressions, and I found that, among other comments, Thomas B. Reed, some 50 years ago said in a speech:

> If prosperity could be expressed in one single word that word would be "confidence," and if depression could be expressed in a single word that word would be "distrust."

And a little more than 100 years ago Daniel Webster, speaking here, said in this connection:

Confidence cannot be produced by compulsion. Men cannot be forced into trust.

I think those statesmen, discussing this same matter many decades ago, expressed adequately the fundamental problem that confronts all of us at the present time.

Senator HATCH. Might I interject a remark there, that while I agree with your description of confidence, I also recall that there was no lack of confidence back in the 20's, and no lack of confidence early in 1937, and, speaking of the various things that have happened in this country, I am also thinking of a quotation as to confidence. It does not flow from Government to business alone, but it has to come otherwise. There must be loyalty as well as confidence; loyalty on the part of the citizens, and groups of citizens when disaster confronts the country; and in that respect I am reminded of this quotation: "Loyalty cannot be bought. Confidence may be betrayed and sold." I just stress the point that we also need loyalty, as well as confidence. Don't you think that is true?

Colonel AYRES. I am sure we should be in complete agreement about both of those aspects of this matter. In citing the quotations that I did I was attempting to conform to your admonition that I talk about things that could be done now, and in this sitatuion.

Senator HATCH. Pardon me. That is the thought that was suggested to my mind as you were speaking on confidence. We are interested in the problem.

Colonel AYRES. It is clearly apposite to your quotation.

Senator MURRAY. During the 1920's, up to 1929, there was no lack of confidence during that period. Nothing was done by the Government to create a lack of confidence on the part of business, was it?

Colonel AYRES. Oh, no.

Senator MURRAY. During that period of great confidence that business had it did not lead them successfully, did it?

Colonel AYRES. It led them successfully during the period, but it culminated in a great crash.

Senator MURRAY. Yes. So that confidence alone, is not the only requisite to satisfactory conditions in this country?

Colonel AYRES. Oh, no; but I am talking about recovery.

Senator MURRAY. Recovery?

Colonel AYRES. Yes.

Senator MURRAY. You think that the Government should entirely repeal the excess-profits tax?

Colonel AYRES. I think it would be its most productive investment.

Senator MURRAY. Do you think that there should also be a repeal of the capital-gains tax?

CAPITAL GAINS TAX

Colonel AYRES. Senator, I should not want to say that. I am very much puzzled about the capital-gains tax. It seems to me not to be the same kind of a problem. I am confident that if we are to tax capital gains we should allow offsets of capital losses but, frankly, I do not feel prepared to answer your question directly. I wish I could, but as I have studied it, it seems to me to be a difficult, complex question, with a great deal of cogent material on both sides of it.

Senator MURRAY. But you do feel that there should be an entire repeal of the excess-profits tax?

Colonel AYRES. I repeat that I think it would be the cheapest investment, the most productive investment at the time, that the Congress could make.

Senator MURRAY. During the period of the depression isn't it a fact that the large corporations of the country had huge reserves of profits that they had accumulated over a long period of time, and that they failed to use in an effort to extricate themselves from the depression?

Colonel AYRES. I should assent to the first part of your question, Senator, and not entirely to the latter part. They had large reserves. They used enormous portions of those reserves, so large that they were very important factors in bringing us through even as well as we did come through the worst part of this late depresssion. It seems to me that it was most fortunate that they did have the reserves, and did use them as much as they did.

Senator MURRAY. In the bookkeeping systems of the corporations for the purpose of computing their earnings, the corporations are all allowed large deductions for depletion, repairs, and expenses of that kind, are they not?

Colonel AYRES. Nearly all; yes, sir.

Senator MURRAY. They do not even exhaust those amounts, do they, in their actual expansions, or improvements, or repairs, or expansion of any kind?

Colonel AYRES. In many cases they do not.

Senator MURRAY. If the undistributed-profits tax were repealed it would, no doubt, have a very pleasing effect on business; but would it not bring us to another period of abnormalcy, leading to another crash, if we utterly repealed that tax? Wouldn't it allow these corporations to accumulate enormous earnings again, to boom their stocks, and thus create another period such as we went through in the 1920's—following 1929, or prior to 1929?

Colonel AYRES. The answer would be entirely a matter of judgment. I should say no; but some competent judge might say yes.

Senator MURRAY. There is no way that you can restrain the market from going wild when they believe there is going to be a profit made; is there?

Colonel AYRES. I would not say there is no way; but I am afraid we have not discovered any effective way.

Senator MURRAY. Notwithstanding all that, you still think that the Government should utterly repeal the undistributed-profits tax and allow the corporations to increase their stock values and bring on another period of inflation?

Colonel AYRES. No, sir; I would not acquiesce in the statement as you have formulated it. I would say, instead, that recovery from this relapse is so enormously important, and time is so much of the essence under these circumstances, that I should rather strive to bring about a recovery and then attempt to deal with the situation as it developed.

Senator MURRAY. Isn't it a fact, Mr. Ayres, that most of the large corporations of the country increased their prices and made profits in excess of what should have been reasonable during this period we are undertaking to bring back?

Colonel AYRES. I should not suppose that was a fact, Senator. Profits were increasing vigorously in the period, let us say, 1935, 1936, and a part of 1937.

Senator MURRAY. They realized that we were still in a period of depression, and that there were many things to be done to get the country back again on an even keel; but notwithstanding that, isn't it true that they undertook to again run up their profits extraordinarily high which, of course, had a tendency to bring on this effort on the part of the public to buy, and thus increase their inventories, and which eventually resulted in another recession?

Colonel AYRES. I should not, personally, hook all of those things together, no, sir; but I would agree to your first proposition, that as the recovery came along profits were increased and——

Senator MURRAY. Don't you think it would have been better if they had allowed those profits to go to the consumers in the form of lower prices, and higher wages; and wouldn't that have aided materially in helping the recovery?

Colonel AYRES. I do not think so.

Senator MURRAY. Wouldn't it have increased the purchasing power?

Colonel AYRES. It would have increased the purchasing power, yes; but what we need, Senator, is a flow of private capital into industry, and more particularly into the durable-goods industries, and only by showing better profits than had been shown in the low years of the depression period could that be brought about. It was being brought about, but it seems to me that the return to making profits, on the part of industry, was essential to a durable recovery.

Senator HATCH. Right there, before you go further, Colonel, in connection with your remarks concerning utilities. I take it from what you have said here that when you refer to utilities you are thinking now of the operating groups, the operating companies, where the actual work is done, and the material is purchased, and the power furnished?

Colonel AYRES. Quite so.

Senator HATCH. You are not speaking of profits to holding companies at this time?

Colonel AYRES. No, sir.

Senator HATCH. It is the operating groups?

Colonel AYRES. Yes, sir.

Senator HATCH. Those are the groups in which you want to get this flow of capital?

Colonel AYRES. Those that have the generating plants, the transmission systems, and all the rest.

Senator LODGE. And also capital for new ventures?

Colonel AYRES. Yes, sir.

Senator LODGE. That is very fundamental, is it not?

Colonel AYRES. Yes.

Senator HATCH. It is getting toward noon, Colonel. If you have nothing more, I want to thank you, for the committee, for coming down. I would like to have you think about that quotation that came to my mind about loyalty.

Colonel AYRES. I will do that.

Senator HATCH. Let us be sure to be loyal, and when confidence comes back, as it will, let all of us be sure that it is not betrayed and sold.

(Witness excused.)

Senator HATCH. If there is no objection I wish to put this statement of Mr. Fuller's in the record.

(The statement referred to is as follows:)

STATEMENT OF S. R. FULLER, JR., PRESIDENT, NORTH AMERICAN RAYON CORPORATION, ELIZABETHTON, TENN.

The present business recession, of course, is very great; but if the situation is handled with patience and cooperation it is my belief that it can be prevented from becoming a calamitous one.

Practically no question exists in my mind but that a demand for consumer goods greater than now will take place shortly. Whether or not such consumer demand will be sufficient to put consumer-goods factories back to work on a full-time basis without full-time work in the durable-goods industry seems doubtful to me.

Therefore, it would seem that the most important thing to accomplish now is to get the durable-goods industry going full blast at the earliest possible moment.

Amendments of capital-gains and the undistributed-profits taxes, to the extent that they have proven restrictive to the free flow of capital, would seem to me to help generally to accomplish this end; specific help would be a home-building program: as would likewise a substantial increase of the present appropriation for national defense, providing, of couse, such increase is necessary. Plenty of money in the country is available for private venture; and our citizens gladly have always supplied money in the form of loans to the Government for the necessities of the two branches of the national protective service. These thoughts presuppose, too, a readjustment of labor rates in those cases where a reduction would produce more business and, therefore, give employment to more people and increase the annual wage of the individual concerned.

The President has held out his hand to business and asked for cooperation. I am positive that the hand will be taken and the cooperation given to him. And I am certain that if we act quickly and cooperatively, as the President suggests, the rising tide of unemployment will be turned back.

Senator HATCH. The committee will stand adjourned until 2 o'clock this afternoon.

(Thereupon, at 11:50 a. m., a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to recess.)

The CHAIRMAN. Is Mr. Compton here?

Mr. COMPTON. Yes, Senator.

STATEMENT OF WILSON COMPTON, SECRETARY-MANAGER OF THE NATIONAL LUMBER MANUFACTURERS ASSOCIATION

The CHAIRMAN. Mr. Compton, I see that you have a prepared statement, but I first wish to ask, you are secretary-manager of the National Lumber Manufacturers Association?

Mr. COMPTON. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. COMPTON. I live in Washington.

The CHAIRMAN. How long have you been secretary of the Lumber Manufacturers' Association?

Mr. COMPTON. About 20 years.

The CHAIRMAN. In response to the request of the committee, you have prepared a statement. I assume that it contains information with reference to employment in the lumber industry at this time?

Mr. COMPTON. It does, Senator. I have been led to believe that a short statement might be helpful.

The CHAIRMAN. I wish you would go ahead and read the statement before we ask you questions.

Mr. COMPTON. As to the adequacy of unemployment compensation, assistance under the Social Security Act, and State and local work relief in communities in which forest-products industries are a large factor, I have little information. At least, I have none which is not more readily and more completely available to you from other and official sources. I shall not take your time on that. But, as to the facts and prospects of employment and production, my comment may be more helpful.

In many important lumber communities the sawmills and logging operations are the only sources of employment. This is generally true in the West; less true in the South and in the North. It is an important fact which points to the desirability, from both the industry and the community viewpoint, of maintaining reasonable continuity of operations and of employment. Toward this objective we have been working for many years and especially since 1931, with the cooperation of the Government. We have made some progress, enough to encourage belief that more progress can be made. But the factors of sale and consumption of our products are so far beyond our control that our efforts to anticipate future trends and to adjust our operations and inventories accordingly have, of course, been only partially effective.

Production.—Lumber is the oldest American industry. Up to 30 years ago, the end of the period of general national expansion, it was a constantly growing industry. At that time the lumber industry produced annually about 45 billion feet of lumber and with its related forest products industries employed a million men. During the decade following the war production averaged about 37 billion feet. At the bottom of the depression it dropped to 10 billion feet in 1932. By 1936 it recovered to 24½ billion feet, and in 1937 was 1 or 2 percent less, or about 24 billion.

Consumption.—Stating these facts in terms of national consumption, after allowing for exports and imports and changes in inventories, comparison is about this:

The per capita annual lumber consumption 30 years ago was about 500 board-feet; 10 years ago, about 320 feet; and last year not quite 180 feet. The per capita consumption in 1937 was nearly twice that of 1932 but still less than 40 percent of 1906. The 5-year gain, however, is more significant than the 30-year decline. During the last few years lumber has a little more than held its own in competition with other materials and products.

Lumber is as nearly a staple material as any other and there is no fundamental reason that lumber industry employment should be less stable or less secure.

Employment.—The lumber industry ranks high as an employer of labor. In 1929 production of 37 billion feet employed 419,000 wage earners. In 1932 production of 10 billion feet employed 155,000. Employment then was 37 percent of 1929, and production 27 percent.

In 1933 employment increased to 189,000, or 45 percent; in 1934 to 226,000, or 54 percent; in 1935, 255,000, or 61 percent; and in 1936, 286,000, or 70 percent. This was an orderly, continuous, and satisfactory recovery. In April and May of last year employment had risen to about 320,000, or 76 percent. From that point, by the end

of the year, the rate of production has declined 40 percent and employment 30 percent.

Technological unemployment has been less in lumber than in many other industries. There have been notable improvements in manufacture through increased mechanization. But these have had the result more of improving the quality and condition of the product than reducing the labor requirement. In 1909 the average annual output per person employed was 81,000 board feet; in 1919, 72,000; in 1929, 88,000. The effect of spreading of employment was reflected in the average for 1933 of 74,000, in 1935, it was 76,000 feet; and in 1936, 85,000. Technological improvements have largely increased the output per man per hour. The shorter average workweek has reduced the output per week. As a whole, the shortening of the average workweek during the past 10 years appears to have more than offset the reduction in man-hours per thousand feet, and the total employment, if production were maintained, would evidently be on an upward trend.

Dependence on building.—The lumber industry ordinarily depends upon building for 50 to 60 percent of its markets, especially on residential and farm construction. The extreme decline in building in the last 9 years have affected lumber perhaps as seriously as any other industry. Nonfarm housing, during the 7-year period preceding 1929, averaged nearly 800,000 units yearly; during the 7 years following, only 140,000 units; and last year, I believe, about 200,000.

Labor relations.—Comparatively, lumber industry employment is fairly stable. Seasonal variations are not excessive. By more careful watching of inventories the seasonal variations in recent years have tended to become less. Fire-hazardous weather, especially in western forests, frequently necessitates temporary shut-down of logging.

But these variations have been comparatively unimportant. The important fluctuations have been because of wide fluctuations in demand; and the important interruptions, especially in the last 3 years and especially on the Pacific coast, have been due to strikes, principally strikes which did not directly involve the sawmills, but restricted the transportation of their products; and more recently, by the warfare between unions competing for dominance, whose quarrel is not with their employers, but among themselves. Right now, and for months past, rival timber workers unions on the Pacific coast have been staging a public spectacle of alternating pickets and boycotts which have denied many mills even a chance to run and have deprived thousands of willing workers of even a chance for a livelihood.

These strikes, boycotts, and jurisdictional controversies between unions in the lumber industry so far have been largely confined to the Pacific coast. Elsewhere the extension of employment awaits merely an increase in the demand for the industry's products.

Supply and demand.—During the past year production has exceeded shipments by nearly a billion feet. This has been added to the inventories of unsold stocks. While lumber production and shipments in 1937 were only about 1 percent below 1936, the new business booked during the same period was nearly 11 percent below. One of the conspicuous weaknesses of our industry has been its extreme fluctuations, both up and down, in production and the consequent

wide changes in its inventories and the consequent extreme fluctuations in prices.

During the past 5 years the Bureau of Labor Statistics index of average lumber prices at the mills on the basis of the 1926 average as 100, has ranged between 56 in the last of 1932 and 103 in the first quarter of 1937. On the comparable basis of current sales it is now probably about 85 and in some regions less than 80.

In recent years we have tried to reduce, if not avoid, these extreme variations in production, inventories, prices, and employments. Early in the last depression an earnest effort was made to secure and to make available to producers, distributors, and consumers of lumber, more complete current information of the relation of production to consumption, of inventories to demand, and the trends and prospects of lumber consumption in both domestic and foreign markets. This activity was initiated in 1931 by the United States Timber Conservation Board in the form of a quarterly survey of lumber production and stocks and anticipated lumber consumption and has been continued since that time under the generous auspices of the Department of Commerce. Obviously there is no reason to say that this quarterly survey has avoided wide fluctuations. But there is reason to believe it has been a factor in improving the promptness with which the thousands of highly competitive units in this widely scattered industry have responded to indicated changes in demand and consumption, including the market declines in the past 6 months which relatively have been the most abrupt of record.

Copies of these reports, beginning in July 1931, are of course available from the Department of Commerce. I shall be glad to furnish the committee with copies if they will be of any interest as containing possibly a worth-while suggestion for the consideration not only of the Government but of other industries.

This at least may be said. The last long period of overproduction in the lumber industry occurred at the very beginning of the depression in 1929. It took the lumber industry 20 months to adjust its current production to the reduced current rate of consumption. During that period it accumulated over two billion feet of additional excess stocks and started its prices on a decline which did not culminate until nearly 3 years later after prices had been cut nearly half and employment and employee earnings had suffered accordingly. By contrast, in 1937 this industry has not apparently adjusted its current production to the reduced volume of current consumption after a market decline more rapid even than in 1930 and 1931, and has done so within a period of 7 months as compared with 20 months, and with an accumulation of additional inventories less than a billion feet as compared to over two billion feet the time before. This may not be great progress. But it is progress at least in the right direction.

For example, prior to the last depression our industry had had a continuous 5-year period of overproduction from 1923 to 1928; followed by 18 months continuous decline in inventories; followed again by an equal period of heavy increase, culminating in 1930 with huge excessive inventories which had to be worked off during the worst of the depression years and which undoubtedly during that period added greatly to the distress of both employers and employees. Since the inventories were brought into reasonable balance in 1934 and 1935 there have been no such wide fluctuations; no accumulation of excess

inventories for more than 7 months; no decline in inventories over 11 months; and in the last 3 years no major movement either up or down over 7 months, as contrasted, for example, with the 5-year period of accumulating overproduction prior to 1928.

Now, I do not want to exaggerate the importance of these periodic surveys of production and prospective consumption, but I do think they can be made a substantial factor in avoiding at least the peaks of extreme boom and extreme depression. In our own industry at least they will be even more valuable if the fact-finding agencies of the Government, in cooperation with the various industries, will make available more complete information on the condition of inventories and on present and prospective consumption and will make that information available more promptly. That will be a hard job. But it can be done. It will cost more money. But it will cost vastly less than will the additional unemployment relief periodically if it can be done. It will cost more money. The Government has many high class economic analysts competent to make such surveys. If given a nonpolitical status so that their sole aim would be to get the facts and publish them promptly, they would, I dare say, undertake such a task with considerable enthusiasm. And industry generally would I, believe, cooperate with such an undertaking. I know we would.

The Federal Government in cooperation with the various industries, can, if it wishes, be of great service in making available information necessary to the intelligent, forward planning of our industry. We have frankly more faith in our planning for our own industry than in the Government undertaking to do it for us. So-called Government planning has so far resulted chiefly in multiplied uncertainties which have either prevented intelligent, individual, and industry forward planning or at least retarded it.

Other aids to recovery.—The lumber industry will doubtless share in general recovery. It may even contribute to it. Especially it may do so if the forces of public and industry cooperation are focused on the stimulation of building especially building of small homes, as an aid both to recovery and to better housing.

I am, of course, greatly interested in determining the causes of the present depression. If we don't know the causes, we won't know the cure. But I am not interested in determining who, if anyone, is to blame. To discuss that would generate more heat than light. It is everyone's business to do what he can toward solving this problem. As to the forest products industries, anyone who seeks to explain their reduced activity on the ground that they are "on strike" against the administration is talking utter nonsense.

What can be done about it? We in the lumber industry can help to mobilize the building industries in behalf of a Nation-wide program of building of low-cost small homes. We are doing so. Incidentally, we can build a good modern home of standard materials and equipment, for a family of two, right here in suburban Washington and right now for a construction cost of less than $2,000; and for a family of six, for $3,400, not including land.

The Congress can help by promptly passing the housing bill, without the Lodge amendment. If that amendment is fastened on to the bill, the National Housing Act and the Federal Housing Administration and its insured mortgage system will be far less useful as an aid

to home building than the present act with no new legislation whatever.

LABOR RELATIONS ACT AMENDMENTS

Another practical aid to an industry, the victim of labor disputes and union jurisdictional disputes to which it is not even a party, would be three simple amendments to the Labor Relations Act:

1. To protect workers against coercion and intimidation.
2. To require strike votes to be by secret ballot.
3. To prohibit boycott in interstate commerce, of the products of a company which had had a valid collective bargaining agency election.

EXPORT MARKETS AND RECOVERY

The recovery of much of our industry depends upon the restoration of export markets. Since 1930 our products in the competitive world trade have fallen in volume more than one-half, and in rank from first place to fifth. This is due principally to discriminatory foreign tariffs. Our export trade will not recover until it has an equal competitive chance at the principal world markets. These foreign discriminations are imposed by public authority. They can be removed only by public authority. We are glad to believe that our Government is making an earnest effort toward the termination of these discriminations against American lumber in foreign commerce.

We seek to establish our forest products industries on a permanent basis. The Federal Government owns or controls one-third of the commercial timber supply. This timber can be so disposed by the Government as greatly to foster and facilitate sustained yield management of forest lands. The Doxey bill[1] in the House, and on a limited basis, the McNary bills[1] in the Senate, would authorize the Federal Forest Service to make such disposals. These bills should be passed.

Also the Government can help by adopting a few sound policies and sticking to them and not a sequence of self-contradictory policies, and constantly changing them. And if it has anything to shoot at in business, it can use a rifle and shoot at what it is aiming at, instead of using a blunderbuss and scattering shot over everything and terrifying everybody.

Meanwhile, whatever the Government or the Congress does or does not do, we intend to keep on trying. This is our depression as much as it is yours, and we are not going to wait for you before trying to do something about it.

PREVAILING WAGE

Senator LODGE. Mr. Compton, do you believe that a contractor who is unaided by the Government should have to pay the prevailing wage, and that a contractor who is aided by the Government should be allowed to chisel underneath him?

Mr. COMPTON. I will answer the question, but I would like to be sure just what you mean by "prevailing wage." When I referred to prevailing wage, I meant prevailing wage in the sense in which evidently the Secretary of Labor interprets that phrase in other legislation, as practically synonymous with the union scale.

[1] H. R. 8950 (Doxey), S. 3017, S. 3208 (McNary) 75th Congress: Bills to promote forest management.

I certainly think the facilities of loan agencies of the Federal Government should not be used to beat down wages, but I think that is quite different from a requirement that will, in effect, mean that a man who is willing and able to work and can get a job for 75 cents an hour, is denied that opportunity, merely because he cannot get a job for $1.50.

Senator LODGE. You do think, though, a contractor who is aided with a Government loan should be able to undercut a regular contractor who does not have the benefit of a Government loan? You are in favor of his being allowed to pay 75 cents, while the regular contractor has to pay a dollar and a half? That doesn't seem right to me.

Mr. COMPTON. Does a regular contractor have to pay a dollar and a half?

Senator LODGE. That is the figure you mentioned. We are speaking of a hypothetical case. It seems to me the laborer is worthy of his hire, whether working under a Government loan or whether he is a private contractor, and the emergency provision in the act is not confined entirely to the union wage.

Mr. COMPTON. I am not informed as to that.

Senator LODGE. Well, it isn't. They arrive at it after making all kinds of investigations in the place in question.

Mr. COMPTON. I wanted to make clear that if the prevailing wage meant, as in ordinary parlance, the wage that prevails, then reputable contractors will pay that wage, but if prevailing wage is construed and applied as now construed and applied to mean the union scale, whether it is the wage that actually prevails or not, that is quite different, and it was on the assumption of that application of the term prevailing wage that I make that statement, and the justification for it is the administration of a similar provision in another act of Congress as to Government contracts.

Senator LODGE. Do you have any objection in general to the Government competing in business with its own citizens?

Mr. COMPTON. Yes.

Senator LODGE. You think it is not right.

Mr. COMPTON. It is unfortunate.

Senator LODGE. I think my amendment is in line with our opposition to that type of competition. Moreover, under that bill, the Housing Administration will have an almost unlimited number of inspectors and architects who are appointed without civil service, and I don't see why they cannot supervise that difference between the construction work done by the Government and work done by the small contractor.

The CHAIRMAN. What have been the important shifts of lumber by regions since 1900?

Mr. COMPTON. Mostly from the North to the South, and from the North and South to the West.

The CHAIRMAN. In more recent years the shift has been to the westward?

Mr. COMPTON. Yes.

The CHAIRMAN. What year was the peak of production in lumber?

Mr. COMPTON. 1907.

The CHAIRMAN. How did 1926 compare with it?

Mr. COMPTON. 1926 was about one-fourth less. I think it was 46 billion in 1907 and about 36 or 37 billion in 1926.

The CHAIRMAN. Well, we look back on 1907 as not so good a year, and 1926 to 1929 as good years. What was the reason for the failure of the lumber industry to increase during the boom era?

Mr. COMPTON. Lumber was the principal building material used in the expansion era culminating about 30 years ago.

The CHAIRMAN. Was there a change to other materials?

EMPLOYMENT

Mr. COMPTON. After that the tendency was toward urban centralization of population, and a type of building for which lumber was not so suitable, as it had been for the type of housing before that time.

The CHAIRMAN. Take employment in the lumber industry at the end of 1926, at 280,000, which you say was 70 percent of 1929. What do you estimate that at the end of 1937?

Mr. COMPTON. About 225,000.

The CHAIRMAN. A reduction of 60,000?

Mr. COMPTON. About 30 percent—it was more than that reduction from the peak during the year. I believe early in this past year the employment had substantially increased, was substantially in excess of the figure you just mentioned, probably 320,000.

The CHAIRMAN. What chance do you see of reemploying those 130,000 employees you have lost since 1929.

Mr. COMPTON. Principally by two sources; the restoration of foreign markets and the resumption of housing, especially small housing.

HOUSING

The CHAIRMAN. I remember one of the charts shown us by a previous witness here showed a decrease in construction of housing, but particularly marked during the last year. What prospect do you see at this time for an improvement in that field?

Mr. COMPTON. I do not myself look for any early, substantial, or marked improvement. I think that fundamentally, over a period of many years, there is a great opportunity in the small home residential field, and I think it is the best opportunity that we have, and if it could be mobilized, if that field alone could be mobilized, I think all of that 60,000 or perhaps 90,000, if we go from the peak in April of last year, will be reabsorbed, and more.

The CHAIRMAN. Specifically, do you expect any improvement by reason of the enactment of the pending bill, outside of the discussion of the Lodge amendment——

Senator LODGE (interposing). The most important part of it.

Mr. COMPTON. Yes; over a period of time I think it will help. I think too much has been expected of it in the sense of immediate, overnight restoration of building.

The CHAIRMAN. I wanted to ask you about that. I have some hopes about that, but I don't want to deceive myself about it.

The factors entering into construction certainly would be the cost of materials and labor, as well as the cost of financing. You see no prospect of a reduction in the cost of labor, do you?

Mr. COMPTON. I see none.

The CHAIRMAN. Do you see any prospect of a reduction in the price of lumber entering into housing?

Mr. COMPTON. Not on present levels, unless there is a substantial reduction in wages in the sawmills.

The CHAIRMAN. Do you expect any reduction in the cost of labor in the sawmills?

Mr. COMPTON. Possibly in the West. In fact, I think likely in the West, unless there is a pretty prompt improvement.

The CHAIRMAN. Why do you say that?

Mr. COMPTON. Because the wages have proportionately gone too far, in my opinion, and too fast.

To illustrate, the minimum wages in that area immediately prior to the code period, the N. R. A., were between 25 and 30 cents as I recall. That was at the bottom of the depression. The code fixed those at 42½ cents. That was in 1933. Shortly afterward there was a voluntary agreement on the part of the leading operators on the coast, participated in by practically all of the sawmills, to pay 45 cents an hour. That was in 1933 and 1934. In 1935 the minimum wage was increased to 55 cents, and in 1936, I believe to 62½ cents, which is the present minimum wage in all of the substantial operations on the Pacific coast.

When I say that I think the wage advances have gone too fast and too far, I mean in proportion to the other elements that enter into that competitive situation. For instance, the direct labor cost in west coast lumber today is $9.65. That is only a few cents less than the mill price of lumber, including everything, timber and sales and plant and depreciation, and supplies and everything, 5 years ago.

The CHAIRMAN. You have told us the labor there. Now, the wages of the men working in the lumber camps of the South are much less.

Mr. COMPTON. Much less.

The CHAIRMAN. What would you say was about the average?

Mr. COMPTON. In the larger mills, the mills in the distinctly lumber communities, from 25 to 30 cents. I think 30 cents is the highest minimum wage. It is the highest, at least, that I personally know of. In other lumbering communities, particularly where there is this easy migration from agriculture into the sawmill, and back and forth, the range is from there down to a pitiful level.

The CHAIRMAN. Now, disregarding the social phase of it, and simply from the prospects of the lumber industry, if those wages prevail today in some of the southern camps, you can't look for any decrease there, can you, in wages?

Mr. COMPTON. I think not.

The CHAIRMAN. I have been told by lumbermen in the business in the South, that notwithstanding this wage, that the lumber producer on the Pacific coast, paying his higher wage, can ship his lumber through the Canal and up the Atlantic coast and deliver it in New York at the same cost that lumber can be delivered there from the camps in Carolina and Georgia. Is that correct?

Mr. COMPTON. Yes. Some of them have gone broke doing it, and some have done it successfully. I think that is correct. I am sure it is correct, as a general characterization.

The CHAIRMAN. If that be so, and a number of them have made that statement to me, the operators from the southern camps are in a position where they cannot ship lumber 500 to 600 miles and deliver it cheaper than the lumber can be produced with a 50- to 60-cents an hour wage out there, and ship it down through the Canal and up to New York, can you hope for any cheaper price for lumber?

Mr. COMPTON. No. I say I don't think the price for lumber can be expected to decline.

The CHAIRMAN. What is the condition in the southern camps as to employment? Are they working there, or are they idle?

Mr. COMPTON. I am sorry, I don't have adequate information to answer that authoritatively. I do know, as a matter of general information, that in the South there is a great deal of anxiety that before the winter is over there will be an acute situation.

The CHAIRMAN. That has been my information. And the fact that with this pitiful wage situation, with which I agree, they cannot sell the lumber at a price that will compete with the western lumber, and if they can't reduce the wage, what hope do you see of reducing the lumber that has to go into house construction? Do you see any?

Mr. COMPTON. No; I see no likelihood. In fact, no opportunity for a reduction in lumber. If there is going to be maintained the existing wage scales, it is an increase that is probably needed. I don't want to generalize too much, but there are some situations where that is not true. I don't think that there is now any opportunity for economy in building costs through any expectation of lower mill prices.

The CHAIRMAN. But you say 30 cents is about as high a wage that you know of in the southern camps?

Mr. COMPTON. That is not the highest wage but the highest minimum wage.

The CHAIRMAN. That is at the best camps?

Mr. COMPTON. The better mills. I was talking about the minimum wage at the more substantial mills.

The CHAIRMAN. If there can be no reduction in the hourly wage of the plasterer, receiving $1 or more an hour, do you think there could be or should be any reduction in the wages of the employee who is receiving 30 or less cents per hour?

Mr. COMPTON. No, I don't think so.

The CHAIRMAN. And after all, materials and labor constitute the cost of construction. Financing does not amount to much. It is not such a material factor.

Mr. COMPTON. Not under the F. H. A. plan. It amounted to a great deal prior to that.

Senator LODGE. Not in all States, did it?

Mr. COMPTON. No.

The CHAIRMAN. I only ask these questions because we want to have your views. I do not want to deceive myself or anybody else with the belief that there was any prospective relief in the cost of construction, unless some plan could be worked out whereby the employee could be guaranteed some yearly wage, whereby he could be induced to take some reduction in the hourly wage. Has the labor controversy with the C. I. O. shifted orders on the west coast to other regions?

Mr. COMPTON. I think the principal effect has been to shift from the mills that are affected by that to some other mills that are not affected, in that same region.

The CHAIRMAN. How many hours do they work on the Pacific coast?

Mr. COMPTON. When they are working full-time, between 40 and 48. Right now the production is much more reduced than the number

of employees. That probably means the labor time is less than ordinarily. I think perhaps in the thirties.

The CHAIRMAN. Is the stock of timber in the Nation being adequately conserved?

Mr. COMPTON. Adequate at least to insure a permanent supply of timber sufficient to produce all the lumber we are now using and half again as much.

The CHAIRMAN. What is the status of the industry in its competition with manufacturers of fabricated building materials? Have they been going into other materials instead of lumber?

Mr. COMPTON. Over a quarter of a century——

The CHAIRMAN. No; in the last few years.

Mr. COMPTON. No I think in recent years lumber has a little better than held its own in competition.

The CHAIRMAN. Do you see any hope for an increase in the employment of the industry within the next few months? Do you see anything except in this pending legislation?

Mr. COMPTON. Yes; we have substantial hope for improvement, but it is in the field of small housing.

The CHAIRMAN. What about the taxation on standing timber in the various States?

Mr. COMPTON. Well, of course, that is a burdensome factor, and it has been a substantial factor in promoting these excessive fluctuations that I mentioned.

The CHAIRMAN. Burdensome taxation tends to cut for overproduction?

Mr. COMPTON. For the industry as a whole, it tends to force cutting of timber without regard to market conditions.

Senator LODGE. I am still interested in your support of this housing bill, your belief it will do some good. It can't possibly do any good before September, can it?

Mr. COMPTON. I am not sure why not, if it is passed promptly.

Senator LODGE. We were told by the Federal Housing Administrator that even if passed now it would be September before it would do any good.

Mr. COMPTON. I assume the Federal Housing Administration will continue to operate under its present law.

Senator LODGE. That is true. We are not talking about the present law. I am talking about this new law.

Mr. COMPTON. Well, I think the improvement in the new law will not be reflected, except psychologically, short of several months.

Senator LODGE. Do you think this proposed law will help the $25-a-week man to own his own home?

Mr. COMPTON. I do think so.

Senator LODGE. Well, how much will it cost him——

Mr. COMPTON. I am not talking about the whole law. Perhaps I did not accurately answer your question. I think the system of insured mortgages, amortized over a long period, will help.

Senator LODGE. That is rather different from support of this particular bill, isn't it?

Mr. COMPTON. Yes, except this particular vehicle, through the Federal Housing Administration, is the only agency through which that type of financing is now available.

Senator LODGE. We had testimony given by well-known men who said this bill would not help the $25-a-week man, and no less a man than Secretary Wallace said it would not help the farmer at all. I wonder if you differ with that contention, and in what respect.

Mr. COMPTON. I think a lot of that will depend upon the regulations imposed by the Federal Housing Administration. In all likelihood the benefits of this pending legislation, just as the benefits of the existing legislation have largely gone to urban building and the owners of urban housing. I am not sure the law says that must be, or that it is so limited.

Senator LODGE. You have not worked out any figures showing the cost to the $25-a-week wage earner to build a house under the terms of this proposed law; you have not worked that out?

Mr. COMPTON. No, I have not.

Senator LODGE. Because I think that that shows this proposed law will make very little difference so far as that is concerned. I don't want to bother you, Mr. Compton, but I am interested in this. What deterrent is there in this proposed housing law against improvident and reckless lending? The Government guarantees these loans. What deterrent is there against making this law just a handout scheme?

Mr. COMPTON. I don't think there is any adequate deterrent in the law itself.

Senator LODGE. I agree with you.

Mr. COMPTON. I think the reliance, as the law now stands, and as it is proposed, must be with the Housing Administration.

Senator LODGE. Thank you very much.

The CHAIRMAN. The suburban home possible of construction in suburban Washington at a possible price of $3,400; what would that cost in the North and East? Would it cost more?

Mr. COMPTON. It would cost a little more in New England, I think, where the climate necessitates a little sturdier construction, more particularly better insulation, considerably less in the South, and somewhat less in the West.

The CHAIRMAN. What is the obsolescence?

Mr. COMPTON. 40 to 50 years, I should say. I am talking of standard construction.

The CHAIRMAN. The house you are talking about: Do you think it would still be habitable at the time it was paid for?

Mr. COMPTON. Oh, yes, indeed.

The CHAIRMAN. Would the lumber industry benefit from the flow of new capital into the utilities and the railroads?

Mr. COMPTON. I presume it would, generally, with business generally.

The CHAIRMAN. There has been much hope expressed for the investment of capital in utilities and in railroads.

Mr. COMPTON. I think in the case of the railroads it would be of benefit, because railroads ordinarily buy about 10 percent of the output of the sawmills.

The CHAIRMAN. 10 percent?

Mr. COMPTON. It has ranged between 7½ and 10 percent during the past 10 years.

The CHAIRMAN. To what extent have the expenditures on public works from 1934 to 1937 affected the industry?

Mr. COMPTON. It has been very helpful at times.

The CHAIRMAN. Has your organization ever taken any steps to develop a housebuilding industry, to encourage its expansion?

Mr. COMPTON. Yes, indeed.

The CHAIRMAN. What do you do?

Mr. COMPTON. We are one part of a group of industries that is sometimes referred to as the building industry. But the building industry, if it exists as an industry, has not yet been identified in the sense anybody can put his finger on it. That is, it is a group of industries all contributing to the finished product. If there is a building industry I suppose it is the contractor.

There is under way and has been in the last couple of years a movement that is generally known as the National Small Homes Demonstration, which was initiated by our industry, and has been fortunate enough to secure the interest and willing and, in many cases, enthusiastic cooperation of other groups, manufacturers of building materials, some of them competing with us, equipment, outfit, and the like, and the purpose of that informal cooperation is to mobilize these industries in behalf of a broad national program of low-cost small homes, reaching down into what is described by the experts as the 70-percent bracket, the families with low incomes who cannot afford to buy or own or rent a house costing more than $5,000.

I am talking about the less-than-$5,000 type of home.

Most of the industry, and, I think I should be frank enough to say, our own industry, is included in that, and in more recent years have been more interested in the type of building which is in the higher cost and higher price range. I think that is due largely to the fact that the builders and the contractors have been more interested in that. Where there has been any building at all, they have been satisfied with the opportunity they have had in those price ranges of $7,500 and up. We believe there is potentially a great deal more under $5,000 than above.

Senator MURRAY. The reason that has not developed has been because of the lack of financial facilities, isn't that true?

Mr. COMPTON. Yes. The Federal Housing Act, even as it now stands, will be a help in that direction.

Senator MURRAY. But, prior to the present housing act, there was very little opportunity for poor people to finance themselves in the building of these low-cost homes.

Mr. COMPTON. Of course, they were not very good financial risks, and consequently they had to pay disproportionate rates.

Senator MURRAY. So that, if that situation is overcome, you would anticipate there could be a large volume of this low-cost housing carried on in this country?

Mr. COMPTON. Yes.

Senator MURRAY. You spoke a little while ago about taxation forcing the cutting of timber beyond the requirements. That is State taxation?

Mr. COMPTON. Oh, yes. I am referring entirely to the general property tax.

Senator MURRAY. Has there been any effort on the part of the industry to overcome that?

Mr. COMPTON. There has been an effort as far back as I can remember to do something about it. Of course, that is a matter beyond the control of the industry. The Government has made various gestures toward improvement in that situation.

In 1924, under one of the acts of Congress, a study was instituted, through the United States Forestry Service, the hope being to arrive at some modification of this system of taxation, which, in the experience of practically every country in the world, has been shown to be unsuited to this type of property. That investigation was in very skillful hands, and resulted in a ponderous report, but, so far, in very little action. Of course, that action necessarily must be by the States. I do think the Federal Government, if it started out to do it, could find some way to encourage the States to do it. It would be a great help for us.

Senator LODGE. How could the Federal Government induce the States——

Mr. COMPTON. One thing in particular—I referred to a couple of pending bills which would, in effect, authorize the United States Forest Service to dispose of Government timber, national-forest timber, which is about one-third of the merchantable timber and is owned by the Government, most of which is the national forests. Most of that timber is intermingled with private timber.

It would be helpful if that Government-owned timber and that private-owned timber could be maintained in these sustained yearly units, as a means of perpetuating these units, and, as a second step, the Federal Government, I think, could and would be warranted in making to the local community or the State lump-sum payments in lieu of taxation. These would be regular payments. They might not be large, but they would be regular, and would not force the State, in order to get any benefit or any income out of the national forests, to keep pressing for cutting of national forest-timber. It is hard to generalize about that. There are some communities and some States where that would be very helpful. There are others where it would not be of much help.

I do think the Federal Government could, by just frankly putting it up to the States to revise their forest-taxation systems, to adjust them to what has been determined and known by other countries—to be a better taxation system. I think the Federal Government could take the initiative and could persuade the States to do something about it. We are not particularly interested in what system it is, but we do not like the State tax systems forcing us to cut the timber for which there is no demand.

The CHAIRMAN. You refer to that as one direct way the Government could do it. In your statement you said the Government should use a rifle and not a blunderbuss in shooting at business, and the Government could help by having a few sound policies, and I want to ask you to take a rifle instead of a blunderbuss and shoot at a few sound policies you think the Government should take.

Mr. COMPTON. I rather expected that, Senator.

The CHAIRMAN. Well, that's fine. Then you can tell us.

Mr. COMPTON. Frankly I think some of the things the Government could do that would be most helpful, would be the least expensive.

The CHAIRMAN. Well, go ahead.

Mr. COMPTON. I think a comprehensive survey service as instituted by the Government, through its research agencies, that would enable industries like our own more intelligently to determine the likely prospects ahead, would be of help.

The CHAIRMAN. That was the plan the President was suggesting to a press conference, that business should consult with officials of the Government to learn the possible demand for production during the year. That is, if I get it from the press correctly. You have something of the same idea, to learn from officials of the Government, to learn about the future prospects for business. You wouldn't want to apportion them the production as among the producers, would you? You wouldn't want to have an agreement?

Mr. COMPTON. No; I don't think that is necessary.

The CHAIRMAN. Do you think it would be helpful to you it some bureau of the Government, the Government having greater ability to do it than the individual producer, if they could give to you assistance in determining future prospects for business?

Mr. COMPTON. When I referred to the Government in that respect I was not thinking of Government experts as oracles, but as first-class information grubbers and analysts. The Government has available to it sources of information that are not available to any industry.

The CHAIRMAN. If you got from the Government information as to the possible conditions that caused you to plan for a certain production, and notwithstanding that you got orders for lumber, would you fill those orders, or would you refrain from doing so because you thought filling those orders would expand the planned production?

Mr. COMPTON. Well, I can't visualize any situation where a sawmill would fail to fill any orders, even though they happen to be in excess of the plan. I don't think there is any great likelihood of that.

The CHAIRMAN. Of what; failure to fill orders?

Mr. COMPTON. Yes.

The CHAIRMAN. That being so, what good is it to tell you that the prospect is there would be a recession 6 months from now, if the fellow in the field who was buying lumber would give you an order for it?

Mr. COMPTON. I am not talking about my own industry. I am talking about the fellow who is going to order this lumber. I want him to have the same information. I want him to know when he can buy lumber most advantageously.

The CHAIRMAN. Well, take General Motors. They were asked and they said they would fill them. But, suppose you were an automobile fellow. Would you fill the orders there the same as in the automobile business, or would you change your views?

Mr. COMPTON. I don't think the answer is in a failure to fill orders in any industry. I think the answer is to be found in a more intelligent disposal of buying and orders by the people who have them to give. You want me to shoot with a rifle, rather than a blunderbuss——

The CHAIRMAN. Yes.

Mr. COMPTON. So let me be specific about an exact situation that occurred in our own industry. We were talking about the railroads a little while ago. The railroads are large users of lumber. About a year ago; perhaps a little over, perhaps 2 or 3 years ago, they were not buying car material. That is a type of product for which they

have large use. The lumbermen were begging them to take car material. "We have got a lot of it, and the price is low."

I am paraphrasing what undoubtedly happened repeatedly between the salesmen of the lumber companies and the purchasing agent of the railroads. But they didn't buy.

About a year ago they came in all of a sudden with all kinds of orders, and they wanted them right now. Car material cannot be gotten out of every log, and only a certain portion of a log is good for it, if good for it at all, because their specifications are exacting.

The demand for car material became so acute that they even went to lumber manufacturers and begged them to take, literally begged them to take more orders for car material than they could produce, without having to go out and select the logs for it.

I think it was a perfectly ridiculous situation, although I grant you it was an extreme situation; it was a ridiculous example of disorderly buying.

I ought not to appear here and criticize what the railroads did, and state what they should have done, why they did it, but as an outsider, on that particular purchasing policy, it looked perfectly ridiculous that the railroads, which are going concerns, and have more or less uniform continuing requirements, and can anticipate what they need, should spend a year or more refusing the urging of the lumber companies who wished to sell to them at low prices, and within a few months after that come in and urge them to produce more than they could at higher prices, prices which the railroads ought never to have paid and which they would not have had to pay.

I think if the railroads ever get so they can buy when they ought to buy, and multiplying the railroads by a lot of buyers in like situations, if they could have reliable information before them as to the supply and demand situation in our industry, I think the railroads would get a whole lot closer to finding when they should make their purchases. They would be better off, and so would we.

Senator MURRAY. I think your suggestions are very good. It seems to me the Government could very well be of great assistance in furnishing that information. They furnish information to agriculture. I suppose it would be very feasible.

Mr. COMPTON. I think it would.

The CHAIRMAN. It won't do them any harm, even if it doesn't do them any good.

Mr. COMPTON. I hope it will be considered.

Since you asked a question, Mr. Senator, about housing, I would like to leave you a picture of some small houses—we haven't yet broken ground for them, but they will be under way very shortly, and these are exact costs there. These are not our opinions. This is what the contractors say they will do

The CHAIRMAN. Do you furnish the plans?

Mr. COMPTON. Oh, yes; and we are trying to get that type of small-home demonstration duplicated all over the country. We got 3,000 down last year, and are trying to get 3,000 more this year.

The CHAIRMAN. The committee stands adjourned until 10 o'clock tomorrow morning.

(Thereupon, at 3:15 p. m., January 11, 1938, the committee adjourned until tomorrow at 10 a. m.)

UNEMPLOYMENT AND RELIEF

WEDNESDAY, JANUARY 12, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m. in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch.

Also: Alan Johnstone, Esq., counsel for the committee.

Present also: Senator John G. Townsend.

The CHAIRMAN. Mr. Pelley, will you be good enough to take that chair, please.

STATEMENT OF J. J. PELLEY, PRESIDENT OF THE ASSOCIATION OF AMERICAN RAILROADS

The CHAIRMAN. I am informed that the other members of the committee are on their way, but we will go ahead.

You were formerly the president of the New York Central Railroad?

Mr. PELLEY. No, sir; the New York, New Haven & Hartford Railroad.

The CHAIRMAN. You are now president of the Association of American Railroads?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. Do you give all of your time to that work?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. The committee has invited you to appear for the purpose of hearing any suggestions that you may make as to the present unemployment situation, and I would be glad if you would first make a general statement as to your view of the present condition.

Mr. PELLEY. Mr. Chairman, what I have prepared is a statement of the facts regarding railroad employment, in line with the letter which I received from you.

The CHAIRMAN. That is what I desire to have you present, and I will be very glad if you will read that statement.

Mr. PELLEY. Yes, sir.

Railway traffic and revenues are derived from the activities of general industry. While railway managements regulate the number of their employees and the extent of railway purchases, ultimate control over those factors is exercised by the amount of railway

earnings and by the money thus made available for current expenditures. When business is good, railway traffic revenues respond quickly. More trains are run, more maintenance work is done, more railway men find employment, and the railways are larger purchasers of the products of industry. When the reverse is true, when railway traffic and revenues are declining, then railway employment and expenditures also show decreases.

This fact is strikingly illustrated by the comparative trend of railway revenues, number of railway employees, and amount of capital expenditures, during the years from 1929 to 1937. When revenues were declining, from 1929 to 1933, employment and capital expenditures also declined. With an upward trend in rail revenues, from 1934 to the latter part of 1937, employment and capital expenditures also increased.

What happened in 1937.—The same fact is illustrated by the trend of railway operations during the year 1937. That trend was first upward, then downward, and both trends had a striking effect on railway employment and expenditures.

Railway traffic during the first 9 months of that year showed a gratifying increase over the corresponding months of 1936, then turned sharply downward during the remainder of the year, and is still at a very low level. Revenues followed the trend of traffic, while net earnings showed an even greater relative decline.

As a result of their improved financial position during the first 9 months, the railways employed more men, bought more goods, and ordered more equipment, than in 1936. As a result of the sudden recession of the final 3 months, however, railway managements found it imperative to institute immediate and drastic economies. They reduced their forces, cut their maintenance program, curtailed their purchases of material and supplies to the greatest possible extent, and practically suspended their programs for new equipment and other improvements to plant.

During the first 9 months of 1937 revenue carloadings showed an increase of 10.9 percent over 1936. During the final 3 months, however, carloadings decreased 8.4 percent, 1937 compared with 1936.

Similarly, total operating revenues during the first 9 months of 1937 increased 8.4 percent over 1936, while the final 3 months of 1937 showed a decline of 10 percent as compared with the corresponding period in 1936.

The effect of the traffic decline on net earnings was even more pronounced. During the first 9 months of 1937 net railway operating income (what is left of operating revenues after operating expenses and taxes have been met) showed an increase over 1936 of 7.8 percent. During the 3 final months of 1937 the net declined 48 percent, or by nearly one-half, as compared with the similar period in 1936.

Effect on employment and purchases.—With rapidly declining revenues during the final quarter of 1937, the railways were forced to reduce their personnel, their purchases, and their equipment and other improvement programs.

During the first 9 months of the year 1937 railway employment was consistently greater than in 1936. During the final 3 months, however, a reversal of the employment trend brought the average for that period down to 3 percent below 1936. This decline was an accelerating one, amounting to 32,000 men in November, and 73,500

men in December. In other words, the railways employed 73,500 fewer men last December than they did in December 1936.

Purchases of fuel, material, and supplies by the railways were heavy during the first 9 months of 1937, but fell off rapidly toward the end of the year. Purchases during the first 9 months of 1937 were 30 percent greater than the corresponding purchases in 1936, while the purchases of the final 3 months were 4 percent less than in 1936. Here again the decline grew greater as the year drew to a close, the rate of decrease in railway purchases being as great as 15 percent in December.

Equipment purchases and installations were also heavy during the first 9 months of 1937, but declined rapidly during the remainder of the year. In fact, new orders were negligible in the last quarter of 1937, and the units of equipment delivered in that period were those ordered some months previously, under contracts which the railways were legally bound to carry out.

Thus when revenues were rising in 1937, railway employment and purchases increased. When revenues declined, employment and purchases also decreased. A return of traffic, and an upward trend in revenues will again enable the railways to set up a program of reemployment and increased purchases.

Railway employment in 1929 and 1937.—Let me refer again to the close relationship between railway revenues and employment, by making a comparison of present conditions with those of 1929. The railways in 1929, prior to the depression, earned the largest amount of gross revenues of any year in their history. Since that year, their revenues have declined sharply, and the number of railway employees has also fallen off. While a part of the reduction in railway employment has been due to technical improvements in plant and operating methods, by far the larger part has resulted from the smaller revenues earned by the carriers, making it impossible for them to maintain normal levels of employment.

Both the revenues and the number of railway employees declined between 1929 and 1937. Railway revenues fell off from $6,279,521,000 in 1929 to $4,185,000,000 in 1937. The average number of railway employees declined from 1,661,000 in 1929 to 1,115,000 in 1937. Thus railway revenues were 66.6 percent as great in 1937 as in 1929, while railway employment was 67.1 percent as great. The close correlation between the revenue decline and the employment decline is very marked.

Not only that, but the relative trend of employment from month to month during 1937 followed the general trend of revenues in that year. When revenues were increasing, the employment ratio was up, but when revenues began to decline, the employment ratio also declined. Thus the percentage ratio of 1937 employment to 1929 employment, which averaged 68.7 percent during the first 6 months of 1937, when revenues were rising, declined in every successive month of the year, as follows:

July	68.3	October	64.7
August	67.0	November	64.0
September	65.8	December	63.7

The difference of 5 points between 68.7 percent in the first 6 months and 63.7 percent in December is equivalent to more than 80,000 employees.

Importance of railways as employers and purchasers.—Railways are among the largest purchasers of the products of industry. When their business is good, they buy and utilize more than 20 percent of the coal output of the United States, nearly 20 percent of the fuel oil output and the timber cut, more than 15 percent of the iron and steel output, and appreciable proportions of other heavy goods, such as cement, stone, and gravel, and the like. If their traffic and revenues return to more nearly normal levels than at present, their annual equipment program could easily contemplate the installation of 2,000 new locomotives, and 100,000 new freight cars per year. Last year, in 1937, they installed less than 500 new locomotives, and 75,000 new freight cars.

The money expended by railway companies for equipment, fuel, and other products of industry supplies employment to many thousand persons outside of the railway industry. It has been estimated that for every man directly employed by the railways in their own operations, one man is employed by other industries in the production and distribution of the 70,000 different kinds of articles purchased and used by the railways.

It follows that when railways lay off men, men also lose employment in other industries. Conversely, when railways find it possible to reemploy men, particularly for maintenance work, men in other industries are also called back to work in iron and steel plants, in lumber camps and mills, in cement factories, and in thousands of other industrial plants.

Railway employment today is less by some 75,000 men than it was a year ago. If these men were brought back to work in railway shops and on the tracks, production of materials they would utilize would give employment to another 75,000 men outside the railway industry, thus supplying reemployment to a total of not less than 150,000 men.

Conclusion.—Recent trends in railway employment and purchases show that a decrease in railway traffic and revenues quickly reduces the ability of the railways to contribute to employment, both of their own men and men who manufacture the goods that railways buy and use. Conversely, any increase in business activity results in an increase in railway traffic and revenues, which is soon reflected in increased railway employment and increased railway purchases of material and equipment from American industry.

This concludes my direct statement, Mr. Chairman.

The CHAIRMAN. Mr. Pelley, continuing the inquiry as to the employment situation, I gather that the figures you give are as of January 1; that for the month of December there were 73,000 less employees than in 1936. What information have you as to January, as to what is going on this month?

Mr. PELLEY. I believe from what I have been able to gather regarding the general business situation, that there will be no improvement in January and it may be a little worse.

The CHAIRMAN. Has the reduction in the number of employees extended to the administrative personnel as well as to what I would call the operating personnel? I mean, the reduction in employment is not confined to the men engaged out upon the railroads, but it has been felt by those in the offices throughout the country, too, has it not?

Mr. PELLEY. Yes, sir.

SHARE-THE-WORK POLICY

The CHAIRMAN. In the railroad field is it possible to share work as in some industries, or must it involve to a greater extent than other industries the absolute separation from the pay roll?

Mr. PELLEY. There is opportunity on the railroads to share the work in some departments, particularly on the tracks and in the shops.

The CHAIRMAN. What have you been doing as to sharing work?

Mr. PELLEY. From my own experience, Senator, all that could be done in that direction has been done in the past. I will be glad to give you an illustration of an experience that we had on the New Haven Railroad. We thought that we had gone quite the limit in distributing work. There is certain work that it is quite difficult to distribute. We have certain contracts with our men, regarding operations of trains, mileage allowances, and so forth, that are not entirely in the hands of the management, but we have gotten along pretty well with the men in that direction. I would say, however, and I think Mr. Whitney will agree with me if you will ask him the same question, that there might be an improvement in the distribution of train-service work; but, to give you the illustration that we had, in 1932 and 1933, when we were at the low ebb in the depression, we distributed the work so much, particularly in the shops, that the men came in and said to the general manager, "You are going too far with this thing. As it is now you are distributing this work among these shopmen so much that we are all getting just a crumb of bread. No one is getting a full meal. Why don't you cut off three or four hundred of these men and let them go wherever they may, and let the rest of the fellows have at least 3 or 4 days' work a week, so they will have a full meal." I am telling you that to illustrate where we went a little too far.

The CHAIRMAN. I am surprised at that. Was that the general attitude, that it would be better to turn some off, without even a crumb, rather than to permit all of them to have a crumb of bread?

Mr. PELLEY. To say that that is general might be going too far. I am only giving you that as an illustration of what happened on the New Haven. We did cut off some of the men. I presume they went on relief. I don't know what became of them. We thought we increased our efficiency. We knew that the men, generally, were much happier about it. In other words, we went too far with the distribution of work, and I think you can go too far with it.

The CHAIRMAN. It does affect efficiency, in your opinion?

Mr. PELLEY. Oh, yes.

The CHAIRMAN. That opinion is shared by others?

Mr. PELLEY. I think so. I would say for the railroad managements that I believe they would go as far as they can in the direction of distributing the work among the men.

The CHAIRMAN. Have you had any conferences with Mr. Whitney and his associates as to this situation at this time——

Mr. PELLEY. No, sir.

The CHAIRMAN (continuing). And the possibility or the wisdom of sharing the work?

Mr. PELLEY. No; I have not.

The CHAIRMAN. Do you think it would be advisable to discuss it with the employees to see if it can be done in some cases?

Mr. PELLEY. Yes; I certainly do. I think it is going on out on the various railroads.

The CHAIRMAN. How about railroad employment on January 1, 1938, compared with the number employed in 1929?

Mr. PELLEY. I think I can give you that figure.

In January 1929 we had 1,571,000 men and now I would say 900,000 men.

The CHAIRMAN. Approximately?

Mr. PELLEY. Approximately, I would say 900,000 men.

The CHAIRMAN. What was it in 1929?

Mr. PELLEY. 1,571,000 in January, 1929.

The CHAIRMAN. 600,000 less.

Mr. PELLEY. Yes.

The CHAIRMAN. It has been stated that in the period 1923 to 1930 the railroads were spending approximately one and one-half billion dollars a year for new equipment of one kind or other. What do you estimate has been spent by the railroads in the years 1932 up to this year?

Mr. PELLEY. That 1½ billion dollars probably took in everything. No; it would not either, because if you took in everything that the railroads were purchasing then it would probably be a couple of billion dollars.

The CHAIRMAN. Yes.

Mr. PELLEY. Your question is, what have we spent since then?

The CHAIRMAN. Yes; since 1930.

Mr. PELLEY. Let's see if I cannot give you all of those figures.

The CHAIRMAN. That is all right, Mr. Pelley. If you haven't it at hand, I find that Mr. Whitney in these statements [indicating] has the figures set forth.

Mr. PELLEY. I have it all here for you and I will be glad to give it to you. Here it is right here [indicating].

The CHAIRMAN. This table that I have shows, in 1923, $1,738,000,000 and in 1937, only $900,000,000; approximately one-half.

Mr. PELLEY. That is right. In 1923 it was $1,738,000,000. That is right.

NEW CAPITAL VERSUS EARNINGS

The CHAIRMAN. What is the prospect of inducing new capital in the railroad field today?

Mr. PELLEY. It is not very bright at all, Mr. Chairman.

The CHAIRMAN. Have the railroads been able, to any extent, to secure new capital for any purchases in the last few months?

Mr. PELLEY. Yes; in this last year some railroads have, and they have been able to buy equipment, and finance it on a reasonable basis, but right now it is not so good. Some railroads can now, yes; but generally, no.

The CHAIRMAN. Are the conditions which you describe uniform, or is it spotty, and are some of the roads in a better condition than others?

Mr. PELLEY. Some roads are in a better condition than others.

The CHAIRMAN. Have the agricultural sections, with large crops, affected the revenues of roads in those sections?

Mr. PELLEY. Yes; but generally, the agricultural railroads are not in a good condition, Mr. Chairman.

The CHAIRMAN. Are they any better than they were?

Mr. PELLEY. Well, just at the moment, no; they are not as good as they were.

The CHAIRMAN. They have not improved?

Mr. PELLEY. No; they are not in a very good condition now. I speak particularly of the western roads.

The CHAIRMAN. How about the southern roads?

Mr. PELLEY. The southern roads, except the Pocahontas region, are not in a good condition. What I mean by the Pocahontas region is the Norfolk & Western, the Chesapeake & Ohio, and the coal roads. They are in good condition. Their business is good.

The CHAIRMAN. Without new capital it does not look very hopeful for greater investments?

Mr. PELLEY. No; and, Mr. Chairman, if you will permit me, I wonder if you are not thinking about earnings when you refer to capital?

The CHAIRMAN. Without greater earnings, of course.

Mr. PELLEY. Yes.

The CHAIRMAN. There is no expansion of capital structure.

Mr. PELLEY. My point is this, a railroad might be in a position to raise new capital, but if their earnings are not good, and not what they ought to be, they will not want to raise new capital and they will not want to buy anything.

The CHAIRMAN. If the earnings are not good you cannot get new capital.

Mr. PELLEY. They might be able to still get capital, but they would not want it. So it is earnings that we need.

The CHAIRMAN. I suppose you say that you have no prospect unless you can get your request granted by the Interstate Commerce Commission?

Mr. PELLEY. I will say that that is very important and, as a matter of fact, it is the only immediate thing that we know to do.

The CHAIRMAN. I do not want to go into that——

Mr. PELLEY. No——

The CHAIRMAN (continuing). At any length, but it does occur to me to ask this: With the condition in the agricultural sections, and with reduced prices for agricultural commodities do you think that higher freight rates could be paid by the shippers on agricultural products?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. Notwithstanding the decreased price that the farmer is receiving for his commodity?

RATE SITUATION

Mr. PELLEY. Yes, sir. Mr. Chairman, I do not know how much you know about our rate situation.

The CHAIRMAN. Very little.

Mr. PELLEY. But I think if this statement were made it might help you some. If the Commission were to grant the application that we have made, just as we have requested it, our rates, our general rate level, would be no higher than it was in 1930. Our rates have been

coming down all the while. You may have the impression that we are trying to get our rates away up higher than they have ever been. If you have not gone into it you might very well have that impression, but that is not the fact. I repeat that if we were given the rates exactly as we have asked for them our rate level will then be just about what it was in 1930, or a little less.

The CHAIRMAN. I assume you have thought it out and concluded that it would not result in driving more traffic to the trucks.

Mr. PELLEY. The trucks want to raise their rates, too. They are a party to this application. Apparently, from their testimony before the Commission, they are in exactly the same position that we are. The water lines want to raise their rates. This is a general lifting up of transportation rates. If we were to raise our rates and they were not to raise theirs, we would probably lose some traffic, but the point is that they are asking that they be moved up together with us.

The CHAIRMAN. So far as the results upon the railroads if the request is granted is concerned, what would be the effect, insofar as employment is concerned?

Mr. PELLEY. Well, I think it would put us in a position to open our purchasing doors again. They are practically closed now. We are not buying anything. There is no railroad buying anything today except those things that they just must have to conduct the transportation that is required at the moment. We would resume buying. It would put us into funds, and we would come into the market, and the general situation would be materially helped by it.

RAILROAD VERSUS INDUSTRIAL EMPLOYMENT

The CHAIRMAN. It would result in immediate employment for some men, anyway?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. I have heard it stated that in the case of one railroad the rails had been purchased and they are now upon the roadbed, but not laid, and the December situation came upon them. Do you know of any instances where it would result in putting men immediately to work?

Mr. PELLEY. Generally it would, Mr. Chairman. I would make a general statement to the effect that it would result in the general employment of men throughout the country.

The CHAIRMAN. For every man directly employed by the railroads, how many do you consider as being employed by industry?

Mr. PELLEY. One.

The CHAIRMAN. An additional man?

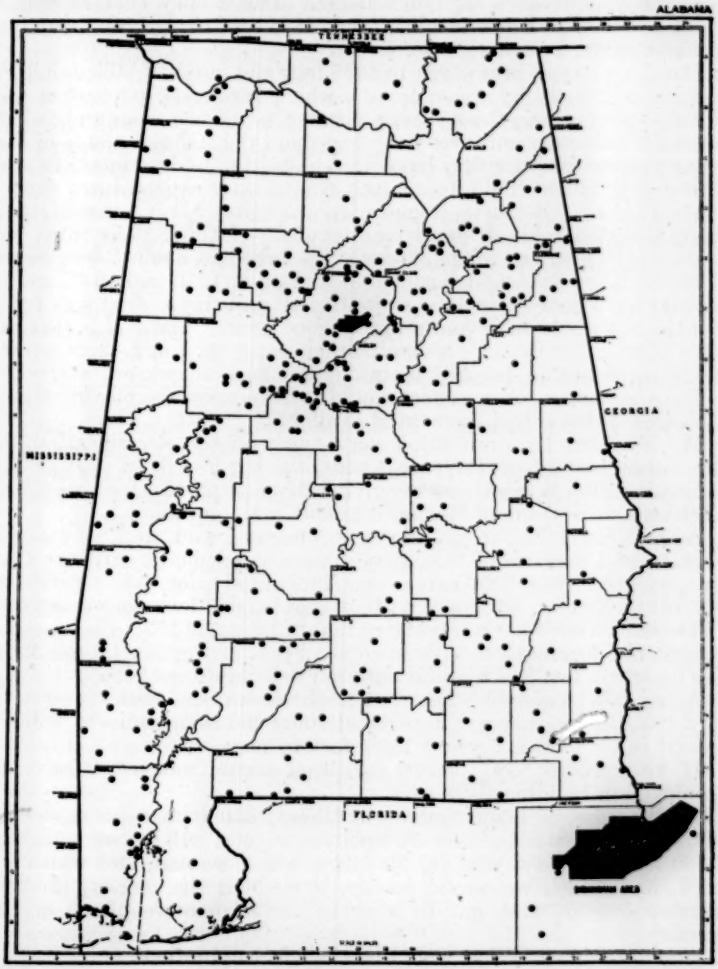
Mr. PELLEY. Yes; one additional man. We figure that for every man we employ it will put one man to work in other lines of industry.

If you will permit me to suggest—I wanted to say it before I got through, because our people have had some talk with Mr. Johnstone about it—of course, we all know that you find railroad men practically everywhere, in every State you find railroads and railroad men, but unless you get into it you might have the idea that railroad purchases are largely concentrated with the big industries. That is not so. We buy everything. We buy in every State in this Union. We are preparing for the committee some graphic charts, which will show just what does take place in that respect, and I think you will find them

very interesting. They are not yet ready. We have more than half of them ready, and if Senator Lodge wants to see what we are buying in Massachusetts we can show him that now; and in several of the other States. However, I am going to submit that to you and file it with you.

The CHAIRMAN. I would like to see those charts.

(One of the charts follows:)



Mr. PELLEY. This chart is characteristic of the collection of State charts which afford an interesting study of the wide geographical scope of railroad buying throughout the United States.

Each of the black spots represents a city or town where one or more of the railroads purchase materials and supplies.

The chart shows that railroad buying of the 70,000 different items comprising their shopping list is an important factor, and a Nation-wide factor, in production, manufacture, and sales; and that railroad buying is not only an immediate stimulant to local business almost everywhere, but also bears an important relation to general industrial employment.

It is surprising, even to a railroad man, when he gets into it, to see where these purchases are really made. This money that we spend is not confined to a few localities, but it is scattered throughout the entire country, in every State.

The CHAIRMAN. From 1931 to 1937 four and one-half billion dollars was spent directly by the railroads, which is only 50 percent of the amount spent during the 7 years preceding, and I was wondering what effect the lesser expenditures have had upon the railroad plants of the country, as to whether they have been permitted to deteriorate to any extent, and which would necessitate even greater expenditures now.

Mr. PELLEY. Of course, it goes without saying, Mr. Chairman, that there is considerable deferred maintenance. I think there must be, in the very nature of things, because we have had about 7 lean years in railroading now. Our business picked up in 1936 and 1937, and if it could have gone on in 1937 as it started, and stayed that way for 9 months, we would have had a pretty good year. The fact is that we have been going through several rather lean years, and there is certainly considerable deferred maintenance, both equipment and way.

The CHAIRMAN. What effect would it have upon the electrification of railroads if you had the capital available?

Mr. PELLEY. I do not think very much on the electrification. I think the great effect, the real benefit, the big benefit of putting the railroads in funds, which means giving them ample earnings, would go to the manufacturers of locomotives and cars—equipment.

As an illustration, in my direct statement I said, and we made a very careful analysis of this, that if we had adequate earnings that we ought to buy 100,000 cars a year, indefinitely, for, say, a period of 20 years, anyhow; we ought to buy about 2,000 locomotives a year.

The statement I have here shows that in 1 year, of 1933, I believe, we bought one locomotive. We have not been buying any locomotives. We bought a few last year because our earnings were better.

As an illustration of what that might mean, say that we were to buy 100,000 cars a year; it takes about 2,000 man-hours to build a freight car. That is a year's work for one man.

If we were to buy 100,000 cars that would mean 100,000 men employed in building these cars.

In the case of a locomotive it takes 100,000 man-hours, which represents the work of say 50 men for a year. If we were to buy 2,000 locomotives a year for 20 years, which we can, and which we need, and which we would justify, if we had the money, there is another 100,000 men put to work in the locomotive plants of the country.

The CHAIRMAN. What would be the effect upon fuel?

Mr. PELLEY. Well, of course, to have more earnings we will have more business, and we will use considerably more fuel oil, and coal, particularly.

The CHAIRMAN. The bituminous coal industry has been in very bad shape?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. I have no doubt that it would be very helpful there.

Mr. PELLEY. Yes; we use about 20 percent of what they put out.

The CHAIRMAN. What would you say about the roadbed throughout the country?

Mr. PELLEY. It is a little difficult to get reasonably accurate figures as to the roadbed, but we estimate that in a good, prosperous year, as compared with a poor year, under conditions that we now have, we would probably put in 20,000,000 ties more. You all have some conception of what a tie comes from, where it is made, who makes it, and what it costs. That money goes away back into the rural districts. It is very helpful to those particular districts.

I have not any accurate figures as to what it costs to get a tie out, and to treat it, and to get it into the track, but a rough estimate of that, I should say, would be at least another 100,000 men that would be put to work, if we were maintaining our plant as we do maintain it in a prosperous year, as compared with our present maintenance level. Probably that is another 100,000 men.

The CHAIRMAN. Have the railroads been endeavoring to effect any economies in administration, and in management, to help the present situation?

Mr. PELLEY. Yes, sir.

The CHAIRMAN. I imagine the depression would have necessitated it?

Mr. PELLEY. We have reduced the expenses of our association 10 percent. That is all administration.

The CHAIRMAN. Then you are feeling the effects of the recession?

Mr. PELLEY. Yes; everybody is. They are doing it everywhere. You can be sure of that.

RETIREMENT OF RAILWAY WORKERS

The CHAIRMAN. Reverting to the employees' situation, are there many railroad employees who are eligible for retirement, but who do not elect to retire?

Mr. PELLEY. I think there are some, Mr. Chairman.

The CHAIRMAN. It is possible under the Retirement Act?

Mr. PELLEY. Yes; that is, under the present Retirement Act there is no compulsory retirement age.

The CHAIRMAN. What is the effect of that on the employment situation?

Mr. PELLEY. I would say that it was not appreciable. I do not happen to know of one, but railroad men are just like all other men; they do not like to quit and say that they are through. They do not like to give up. Some of them are at work that are eligible for retirement, but I do not think there are many. I think not enough to seriously affect the employment situation.

The CHAIRMAN. Do you think that the granting of the request for an increase in rates would affect new capital?

Mr. PELLEY. Yes; it will help the whole situation, because it will help our earnings. Now, since you mentioned that, I want to talk a little more about that.

In 1931 we asked for a 15-percent increase in rates. I think almost every shipper that could get in here—and that was most of them—came in and said that if we advanced our rates they would take their traffic away. It was said so often and with such force that I think they probably convinced the Commission, and maybe some railroad men—I don't know—that that was so.

After some time the Commission gave us some slight increases, which they were pleased to call surcharges; temporary surcharges—a rather bad name. Nobody likes that name. In 15 months, notwithstanding the fact that everybody said that we could not get any more revenue, we got in $75,000,000 from these surcharges.

The Commission gave us the increases, based, first, on this premise; that we would give the money to the needy railroads. We put our case up as a revenue case, not as a rate case but as a revenue case. Well, I think they decided, probably, that that was not legal—for the board of directors to make some money on a railroad and give it away to some other railroad. They decided that that could not be done in this country, and they changed their decision and said that we might have these increases, provided we would loan the money to the needy railroads. We said, "all right; we will take it that way."

RAILROAD CREDIT CORPORATION

We set up what we call a Railroad Credit Corporation. We got in $75,000,000 in 15 months, or $5,000,000 a month, notwithstanding the repeated statements that we could not get anything; and we loaned the money to the railroads. Some $55,000,000 of it has been repaid. I am talking now only to the point of whether or not we can get any more money.

The CHAIRMAN. Yes.

Mr. PELLEY. In 1934 we set out to get an increase in rates. The Commission rather indicated that they would be glad, at any rate, if we did not come back any more with an application for a blanket increase, just like we are in now. So in 1934 we worked out an application in a most comprehensive and detailed way, and applied for an increase in rates, specific advances on specific commodities—not a blanket increase. We said, "We want this commodity advanced so much; the other one so much"; and so on. And the Commission again gave us what they were pleased to call emergency charges, which were temporary. Those emergency charges brought us in about $100,000,000 a year, and they were only a part of what we asked for. Those emergency charges were stopped at the end of 1936. They carried on until 1936. On January 1, 1937, they stopped them.

The CHAIRMAN. It amounted to $100,000,000?

Mr. PELLEY. Yes. We got in about an average of $100,000,000 a year, in round figures. So it is in the wood. The money is there. If they give us the increases we will get the money. There is no doubt about that, because we got it twice before.

The CHAIRMAN. What was the additional cost by reason of the readjustment of pay of employees in 1937?

Mr. PELLEY. $130,000,000 a year.

The CHAIRMAN. And with the removal of the so-called emergency rates you said that you lost $100,000,000 in revenue?

Mr. PELLEY. Yes; by removing the emergency rates it meant more than that to us in the first 9 months of 1937, because our business was

at a higher level than it was in 1936. If the emergency charges had gone on the first 9 months we would probably have gotten at the rate of $120,000,000 or $125,000,000 a year. We lost that. In addition to that, we had our expenses increased by reason of this wage increase that you mentioned, $130,000,000 a year.

The CHAIRMAN. I know that it is difficult to make a very accurate estimate, because it will, based upon general conditions, but what additional revenue would you estimate as a result of the granting of the increase for which you have asked?

Mr. PELLEY. $517,000,000 is what it amounts to, both freight and passenger.

The CHAIRMAN. That is if the request were granted, just as asked for by the railroads?

Mr. PELLEY. Yes; but that, Mr. Chairman, is on the level of business for the year ending June 30, 1937.

The CHAIRMAN. Which, admittedly, was a good year?

Mr. PELLEY. Yes; and the business is much lower now. It would not yield us that on the present business.

The CHAIRMAN. The yield would depend on business conditions?

Mr. PELLEY. Yes; the big thing, Mr. Chairman, about this increase in freight rates is that it just gives us that much more money for doing the thing that we are doing now, and it does not increase our expenses any, and it helps us tremendously. It all goes into net.

The CHAIRMAN. As a general thing, the employees on the railroad, I assume that they would not become relief charges, but it would be a little different from other organizations, more likely to have some savings, and would not, to the same degree, be the recipients of relief in the States.

Mr. PELLEY. No, sir; I think the railway employee organizations would go their limit to take care of their members.

The CHAIRMAN. I think so.

Senator MURRAY. Did the rapid rise in commodity prices in the early part of 1937 have any effect on your program of improvements and repairs?

Mr. PELLEY. Well, I doubt if it did, Senator Murray. I do not think so.

Senator MURRAY. You do not think it had any appreciable effects?

Mr. PELLEY. I do not think so. The thing that matters with us, and the only thing that does matter, is that income account. What have we got left after we pay our expenses at the end of the month? If we are making money we buy; if we are not, we do not. All we have got to sell is a service. If people use it, pay us for it, if we have money, if we earn funds, we are in the market. There are no better spenders anywhere than we are, if we have it.

Senator MURRAY. You say the rise in labor costs had some effect, did it not?

Mr. PELLEY. That came, of course, the latter part of the year. The first $95,000,000 to the 14 brotherhoods came on August 1st, and then October 1st came the other $35,000,000 to the train and engine forces.

Senator MURRAY. Well, at that period you had quite a broad program of improvements and repairs going on in the railroads of the country?

Mr. PELLEY. Yes, sir. We were in the market. We got 75,000 cars last year, and 500 locomotives. I don't think the prices had

anything to do with it. We just went right ahead until our earnings dropped off. Then everybody quit. They went through with the contracts they had but they quit placing and making other commitments.

Senator MURRAY. It was the falling off of business that did that?

Mr. PELLEY. Yes, sir.

GOVERNMENT STATISTICAL INFORMATION

Senator MURRAY. It has been suggested here by some of the witnesses who have appeared that if the Government would furnish some sort of statistical information to the big industries of the country with regard to conditions that it would be helpful in preventing these peaks and valleys in business and production. What have you to say with reference to that?

Mr. PELLEY. I doubt if that is so. It is a new thought, but I do not believe it would make any difference.

Senator MURRAY. Well, there was a witness here the other day who testified that for some time the lumber industry had been negotiating with the railroads, trying to induce them to buy lumber for car manufacturing, and that the railroads would not listen to them, and then, all of a sudden, they came into the market with enormous demands for lumber of that kind, but the lumber industry was unable to supply it and, as a result, they had to raise their prices, I assume, and go out in the field and undertake to select timber for that kind of work, which increased materially the costs of manufacturing.

Don't you think that if the railroads and other industries would undertake to have some uniform information in the various industries that it would guide them so that they would not have to go to such extremes as that?

Mr. PELLEY. Oh, I don't think it would be much good, Senator Murray. Take your case that you cited, the lumber people. Why didn't the railroads make commitments when they could buy this lumber cheap, instead of letting the thing go until they had to pay a higher price? Because they could not justify buying the equipment at the time.

Senator MURRAY. But if they had information regarding the trends of business in the country and they realized there was going to be an upturn in 1936, couldn't they then take advantage of the existing prices and undertake to protect themselves?

Mr. PELLEY. I just wonder if any figures could be made or found which could give that information. I wonder if anybody could have made any figures which would have told us what was going to happen this fall.

Senator MURRAY. Well, you ventured that the public spending was having a very material effect on railroad figures.

Mr. PELLEY. Yes, sir.

Senator MURRAY. W. P. A., and P. W. A. in some instances, put some railroads right back on their feet and gave them profits during the period of the depression; isn't that so?

Mr. PELLEY. Yes, sir.

Senator MURRAY. At that point, taking the railroads, for instance, they were in very bad financial condition, yet, through the entire period of depression, by reason of the P. W. A. program, they were able to

make huge profits. Don't you think that kind of information, then, with reference to matters of that kind, would have some beneficial effect, if the railroads and industries of the country could be furnished with facts of that kind?

Mr. PELLEY. Possibly, but, frankly, I don't think so.

Senator MURRAY. You think that the solution of the whole thing is increased rates to the railroads?

Mr. PELLEY. No; but the immediate thing, the immediate thing for us, is this increase in rates.

Senator MURRAY. What effect would that have in diverting traffic to the trucks?

Mr. PELLEY. I think very little, Senator Murray, for the reason that the truckers are a party to this application. They want to raise their rates, too. There was testimony introduced down there by the truckers showing that it cost them $1 for every $1 they got in.

Senator MURRAY. But the farmers are hostile to increased rates.

Mr. PELLEY. I don't know the extent of their hostility; they have not been heard yet. The opposition to the application has not been heard. I think they will oppose it.

Senator MURRAY. But you do not think yourself it would really materially injure the farmers if there was an increase?

Mr. PELLEY. No, sir; I do not. I think they can pay the rates that we are asking for.

The CHAIRMAN. Mr. Pelley, how many of the railroads have been able to pay dividends upon common stock in the last few years?

Mr. PELLEY. Oh, probably 8 or 10, Senator Byrnes. You can count them on your two hands, I am sure.

The CHAIRMAN. I have been asking you about new capital for the purchase of equipment, but I must ask you, if you did have new capital in the railroad industry, would you make enough to pay the interest under existing conditions?

Mr. PELLEY. Again I want to say that it is earnings that we want and not capital so much.

R. F. C. LOANS TO RAILROADS

The CHAIRMAN. How successful are they in paying the interest to the R. F. C.?

Mr. PELLEY. Well, I have a statement here showing the whole situation, if you are interested in it.

The CHAIRMAN. Yes; I would like to see it.

Mr. PELLEY. There are some of the loans that are in default, that are not paying. I don't know whether we have just that.

Now, at the present moment, the railroads owe the R. F. C. $355,000,000 on straight loans, Reconstruction Finance Corporation; P. W. A. they owe $158,000,000. That was borrowed for equipment.

Now, the interest is being paid on most of that.

The CHAIRMAN. Those obligations are still held by P. W. A. or have they been sold to R. F. C.?

Mr. PELLEY. Some of those equipment-trust notes have been sold. As a matter of information to you, I have a note on this statement [reading]:

> Generally speaking, these Public Works Administration loans are due serially over a period of 10 to 15 years. Maturities of securities held by public not deducted. On securities resold to issuers, or sold to the public, the Reconstruction Finance Corporation has realized a profit of $4,702,563.

So they are doing pretty well over there.

And another matter of interest——

The CHAIRMAN. Just a moment. But you haven't the figures of the amounts in default?

Mr. PELLEY. No, sir; I haven't that.

The CHAIRMAN. So we don't know that they are doing so well.

Mr. PELLEY. Oh, yes.

The CHAIRMAN. Until you get that.

Mr. PELLEY. Oh, I make a guess of what they have in default over there of interest; probably $35,000,000 to $50,000,000.

The CHAIRMAN. In all they owe about $350,000,000 to the R. F. C.?

Mr. PELLEY. Yes; they owe $355,000,000. Now, they borrowed $537,000,000, and $181,000,000 of that has been repaid.

Now, that is in addition to this equipment borrowing from the P. W. A.

The CHAIRMAN. Together it makes more than a half billion dollars.

Mr. PELLEY. It makes more than $500,000,000; that's right.

I will be glad to submit this statement:

(The statement by Mr. Pelley is as follows:)

Loans to railways by special financing agencies, 1932–37

RECONSTRUCTION FINANCE CORPORATION

Loans made to railways:	
1932	$284, 311, 271
1933	109, 782, 987
1934	53, 189, 014
1935	39, 933, 552
1936	29, 909, 415
1937	20, 000, 000
Total	537, 126, 239
Repayments	181, 232, 693
Total loans outstanding Dec. 31, 1937	355, 893, 546
Class I carriers	347, 754, 094
All other carriers	8, 139, 452

PUBLIC WORKS ADMINISTRATION [1]

Loan allotments to railways	201, 029, 500
Disbursements to railways to Dec. 31, 1937	200, 974, 500
Repayments (including resales to issuers)	44, 354, 950
Loans outstanding Dec. 31, 1937	[2] 156, 619, 550
Loans outstanding Dec. 31, 1937:	
Securities held by Reconstruction Finance Corporation	50, 122, 550
Securities sold to public by Reconstruction Finance Corporation	106, 497, 000
Total	156, 619, 550

[1] Generally speaking, these P. W. A. loans are due serially over a period of 10 to 15 years.

[2] Maturities of securities held by public not deducted. On securities resold to issuers or sold to the public the Reconstruction Finance Corporation has realized a profit of $4,702,563.

Loans to railways by special financing agencies, 1932–37—Continued

RAILROAD CREDIT CORPORATION

Total receipts from emergency rates Jan. 4, 1932, to Mar. 31, 1933	$75, 393, 237
Total loans	73, 691, 368
Repayments to Dec. 31, 1937	52, 837, 584
Loans outstanding Dec. 31, 1937	20, 853, 784
Class I carriers	20, 734, 634
All other carriers	119, 150

NOTE.—The Railroad Credit Corporation repaid to the contributors to the fund, up to Dec. 31, 1937, a total of 76 percent of their contributions, or $55,868,767, of which $28,747,581 was paid in cash and $27,121,186 in credits on loans.

Mr. PELLEY. Now, in connection with borrowing from the Government, we borrowed some money from the Government at the end of Federal control.

The CHAIRMAN. The President, in his statement to Congress, referred to the national income in 1929 as $78,000,000,000, and said that our goal should be $100,000,000,000. That would assume, of course, an increase of about one-third in output. Could the railroads handle an increased output to make such increase in income without considerable improvement?

Mr. PELLEY. We need cars and some locomotives, Senator, but we would not have any difficulty in handling the business. We would like to have an opprotunity to demonstrate.

The CHAIRMAN. You would have to have several billion dollars of capital invested in new equipment, wouldn't you?

Mr. PELLEY. We would have to buy more cars, more modern locomotives, but we would be very busy, we would be ahead of that business all the while, I guarantee you that.

The CHAIRMAN. Well, it is a pleasant thought, anyway.

Mr. PELLEY. We would like to try it.

Now, we borrowed some money from the Government at the end of Federal control, in 1920, a billion dollars or more, and there is some of it in default yet, some little roads, one big road owes the Government since 1920, hasn't been able to pay, but, according to our figures here, there is about $30,000,000, in round figures, not paid, of the loans in 1920. The Government got in something over $200,000,000 in interest on that, made a profit of $60,000,000 easily on the loans, so we have not hurt the Treasury.

The CHAIRMAN. That was when? In 1920?

Mr. PELLEY. Yes; the railroads. Some may question the policy of lending them money, but they have not lost anything on our account as yet.

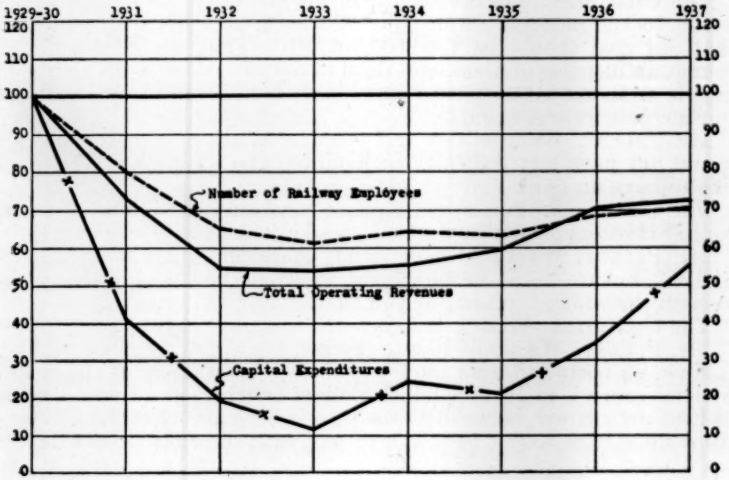
The CHAIRMAN. As yet. All right, Mr. Pelley.

Mr. PELLEY. Mr. Chairman, I submit five tables and charts for the record, which show the close interrelationship of railway revenues, expenditures, and employment, over a period of years and during the several months of the year 1937.

(The tables and charts are as follows:)

Comparative trend in railway revenues, employment, and capital expenditures

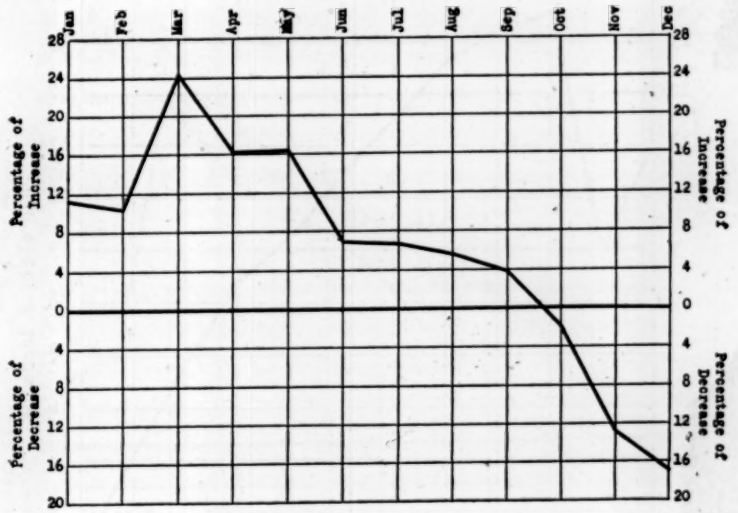
Year	Total operating revenues		Number of railway employees		Capital expenditures	
	Amount	Ratio to 1929–30	Number	Ratio to 1929–30	Amount	Ratio to 1929–30
1929–30	$5,780,359,000	100	1,574,000	100	$863,164,000	100
1931	4,188,343,000	72.5	1,259,000	80	361,912,000	41.9
1932	3,126,760,000	54.1	1,032,000	65.6	167,194,000	19.4
1933	3,095,404,000	53.6	971,000	61.7	103,947,000	12
1934	3,271,567,000	56.6	1,008,000	64	212,712,000	24.6
1935	3,451,929,000	59.7	994,000	63.2	188,302,000	21.8
1936	4,052,734,000	70.1	1,066,000	67.7	298,991,000	34.6
1937	4,185,000,000	72.4	1,115,000	70.8	475,000,000	55



Trend of revenue carloadings, 1937 over 1936

[Railways of class I]

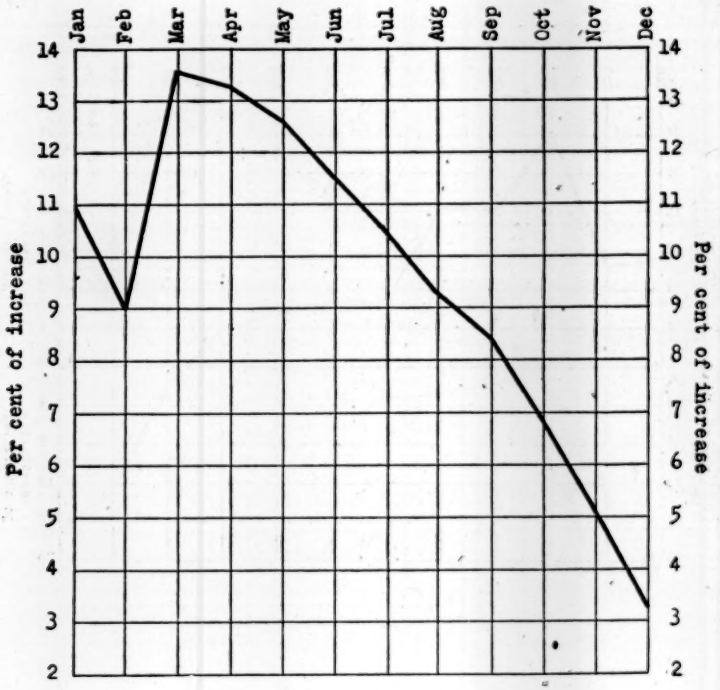
Month	Percentage change for month		Percentage increase—year to date	Month	Percentage change for month		Percentage increase—year to date
	Increase	Decrease			Increase	Decrease	
January	11.5		11.5	July	6.7		12.8
February	10.6		11.1	August	5.5		11.9
March	24.4		15.1	September	3.9		10.9
April	16.2		15.4	October		2.0	9.2
May	16.3		15.6	November		12.8	7.2
June	6.8		14.1	December		16.8	5.4



Trend of total operating revenues, 1937 over 1936

[Railways of class I]

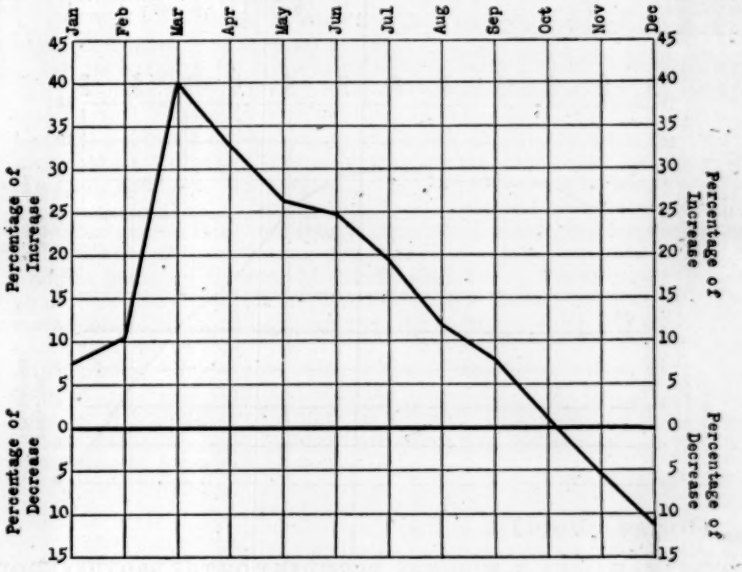
Period	Percent increase, 1937 over 1936	Period	Percent increase, 1937 over 1936	Period	Percent increase, 1937 over 1936
1 month	10.9	5 months	12.6	9 months	8.4
2 months	9.0	6 months	11.5	10 months	6.8
3 months	13.6	7 months	10.4	11 months	5.1
4 months	13.3	8 months	9.3	12 months	3.3



Trend of railway net earnings, 1937 over 1936

[Railways of class I]

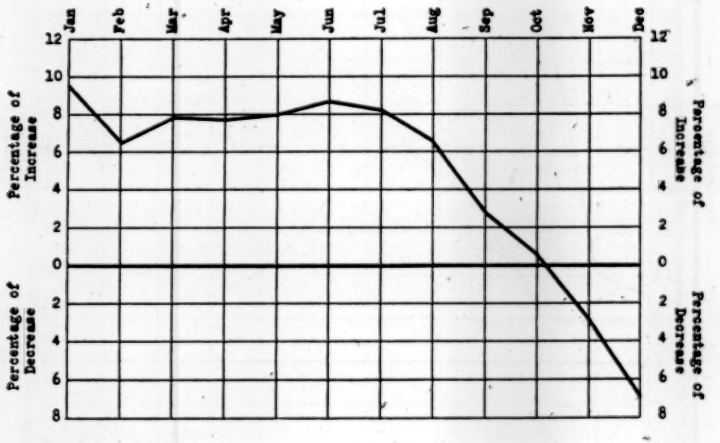
Period	Percentage of increase or decrease, net railway operating income		Period	Percentage of increase or decrease, net railway operating income	
	Increase	Decrease		Increase	Decrease
1 month	7.6		7 months	19.4	
2 months	10.8		8 months	12.0	
3 months	40.0		9 months	7.8	
4 months	32.9		10 months	1.2	
5 months	26.6		11 months		5.6
6 months	24.9		12 months		11.6



Trend of railway employment during 1937

[Railways of class I]

Month	Number of railway employees		Percentage of—	
	1937	1936	Increase	Decrease
January	1,075,175	981,853	9.5	
February	1,099,088	1,032,413	6.5	
March	1,101,003	1,021,014	7.8	
April	1,131,030	1,049,723	7.7	
May	1,153,713	1,068,415	8.0	
June	1,171,683	1,077,555	8.7	
July	1,174,434	1,085,928	8.2	
August	1,162,764	1,090,485	6.6	
September	1,133,227	1,101,643	2.9	
October	1,115,919	1,108,970	0.6	
November	1,060,296	1,092,050		2.9
December	1,008,037	1,081,590		6.8



(Witness excused.)

STATEMENT OF A. F. WHITNEY, PRESIDENT OF THE BROTHERHOOD OF RAILROAD TRAINMEN

The CHAIRMAN. Mr. Whitney, you are president of the Brotherhood of Railroad Trainmen?

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. I have invited you to make a statement to the committee with reference to this unemployment situation, and would be glad to have you first make any general statement you desire to make.

Mr. WHITNEY. I have compiled two statements, known as part I and part II. Part I is more or less argumentative; part II is statistical. In part I, I have made a general statement which embraces the first six and a half pages of that report, and, if this statement is going into the record, I will refrain from reading that portion of it, and get down to the more specific part.

The CHAIRMAN. I think that would be very good, particularly the statistical part, which you are not going to read. We are going to put that into the record.

PART I

Mr. WHITNEY. The industrial and financial interests of our country insist that two essential conditions are necessary to the solution of the problem of unemployment. These conditions are what they call "restoring confidence to business interests" and "restoring prosperity to our durable-goods industries." It is my opinion that both of these contentions are fundamentally fallacious. In the first place, these two conditions existed in generous proportions prior to the economic break-down in 1929 and if they were insufficient to prevent that break-down how can they now solve the effects of it? When we consider this fact, it compels us to conclude that our economic ailments have other and more fundamental causes.

Let us examine for a moment the contention that unemployment and economic ills flow from a lack of confidence on the part of industry and finance. Does anyone seriously believe that the reason why the General Motors Corporation recently laid off 30,000 workers and inaugurated a 3-day week for its remaining employees was because Mr. Knudsen and his associates just did not have the "confidence" to make more automobiles? Can anyone doubt that the real reason for this lay-off of such a large number of men was because the buying public did not have the purchasing power with which to purchase the automobiles made by General Motors? As I see it, the only part which confidence plays in this important problem is the restoration of the confidence of the working people of this country, which will come from assuring them of jobs with fair pay and thereby enable them to buy automobiles, homes, and other commodities and services which the present American standard of living requires. If we can create markets for the products of American industry I have no doubt but that our industrialists and financiers will have the "confidence" to produce the products for which there are buyers.

PROSPERITY REQUISITES

Let us examine into the claim of industry and its spokesmen, the "expert economists," that increased prosperity and activity in the durable-goods industries are the essential requisites of prosperity. It is my opinion that in past years capital has received too large a portion of the national wealth. This left too little for consumable goods. According to Hartley W. Barclay, editorial director of Conover-Mast Corporation, in a "prosperous year" prior to 1929, while housewives were spending $34,700,000,000 on consumable commodities and services, industrial buyers used products of $53,900,000,000 value. Mr. Barclay concludes: "In other words, industry was the biggest buyer in the Nation in our years of mechanized prosperity." But I submit that this fact did not prevent the economic break-down which began in 1929. With such a trend, naturally, our production capacity eventually exceeded our consumption capacity. Those who plead for a restoration of the durable-goods industries in face of the fact that the people already are unable to consume the products which

industry is capable of producing lose sight of the fundamental truth of human existence that the end of all economic production must be human consumption. Their philosophy is that man lives to produce rather than to consume. They cling to the commodity theory of labor and hold that the human right to work has only an economic value, calculated on the same basis as the values of any and all economic commodities.

According to the Transportation Association of America while the average earnings, 1916 to 1935, of railroad employees increased 85.5 percent the amount of capital investment per employee increased 141.5 percent. The "expert economists" declare that this disproportionate amount which went to capital will, over a period of time, increase employment and purchasing power. But what are the facts? In 1916 there were 1,700,814 railway employees in the United States while in 1935 there were 1,013,654 employees, or a decrease of 687,160 railroad employees. This decrease of more than a half million railroad workers during the period when capital investment per employee increased 141.5 percent certainly disproves, so far as the railroad industry is concerned, the contention that large and disproportionate investment of capital increases employment opportunities.

The trend in this regard is still against the workers in the railroad industry. I quote from a letter dated December 30, 1937, from Freight Brakeman C. R. Vandervort, one of our members in Montana:

> In addition to decreased tonnage we are confronted with the equipping of engines with auxiliary tanks to make possible hauling more tonnage per train and the coming of larger engines in January, that will haul 25 percent heavier tonnage than the present standard engines on this property,

For road freight brakemen the average wage cost per 1,000 gross ton-miles decreased from $0.172 in 1920 to $0.092 in 1936, a decrease of 46.5 percent. During this period of time the total hours worked by road-freight brakemen and flagmen decreased 57 percent. During the same period revenue-freight ton-miles decreased only 17.3 percent. So the great reduction in aggregate hours worked cannot be explained by the reduced volume of traffic resulting from the depression or other causes. It was due to technology and improved efficiency methods. Revenue-freight ton-miles produced per hour actually worked increased 92.2 percent from 1920 to 1936. The gross ton-miles of freight handled per hour worked by road-freight brakemen increased 122.8 percent during this period. The average wage cost per 1,000 revenue-freight ton-miles decreased 36.7 percent in this period. It is these facts that make it possible for us who represent railroad workers to declare that any ailments from which the railroads are now suffering are not due to labor, for never before in history have the railroads received so much for their wage dollar. It is these facts that make us contend that the claim that our prosperity depends upon increased activities in the durable-goods industries and increased proportions going to capital enterprises are absolutely fallacious.

Speaking in general, from 1919 to 1933, production per worker in our manufacturing industries increased 71 percent while the worker's share of this productivity dropped 6 percent. In other words, every time the employer dropped an extra dollar in the worker's pay envelope he added a little more than $7 to the price of his product. Since 1899 output per worker has increased 70 percent while real wages have increased only 10 percent. This is a ratio of 7 to 1 in

favor of capital and yet the industrial and financial interests of this country continue to insist that prosperity for the masses of the people depends upon capital and the durable-goods industries receiving a larger share of the national income. In 1849 our grandfathers received 51.1 percent of the value added to raw material by reason of their labor; in 1929 the American worker received only 36.2 percent of this added value.

If we would solve our unemployment and economic problems generally we must study trends rather than stock-market fluctuations. It is trends rather than cycles that should interest us. One of the most important trends that should engage our attention is the steady decline of man-hours per unit of economic productivity. All interpretations of present conditions as being merely a recurrence of like past conditions are basically fallacious and worthy of no serious consideration and I submit to you that most of our "economic experts" employed by industry and finance follow the fallacy of ignoring trends and considering all our economic ailments on the basis of cycles.

They carry this absurdity to the point of declaring that labor-saving machines do not save labor. They call your attention to the fact that 2.2 percent more of our population were gainfully employed in 1930, when we had considerably more machines and power, than in 1880, when we had few machines and little power. They ignore the fact that employment followed an upward trend up to about 1918 and has since declined. They fail to inform you that in 1910, when there was less machinery and power, 4 percent more of our population were gainfully employed than in 1930 with much more machinery and power. Those who are contending that more of our national income should go to capital and insists that labor-saving machines do not destroy work opportunities follow the fallacy which was so well expressed by the Machinery and Allied Products Institute, which is interested in selling durable goods to capital enterprise. In a pamphlet entitled "Ten Facts on Technology and Employment" this institute undertook to prove that machinery and power do not cause unemployment of labor. After pursuing the argument at some length, this pamphlet makes the following conclusion:

> Had it been necessary to increase hand labor in the same proportion as production between 1900 and 1930, every adult man and woman in the Nation and several million children would have been needed in jobs.

In other words, the Machinery and Allied Products Institute started out to prove that labor-saving machinery does not destroy jobs and ended up by proving that were it not for machines and modern technology not only would there be no unemployment in this country but there would not be enough men, women, and child workers in the United States to accomplish the work that is now being performed with extensive use of machinery and power.

I bring these matters to your attention because I fear for the consequences to the country if any appreciable number of our political leaders are inclined to accept the fallacies of industry and finance to the effect that all this country needs is to restore prosperity to the durable-goods industry and "confidence" to business and finance.

In connection with the problem of unemployment I consider the farm problem a serious one. In Labor Information Bulletin for December 1937, issued by the Bureau of Labor Statistics of the United States Department of Labor, page 19, we are informed that wholesale prices

of all commodities increased 4.8 percent in October 1937 as compared with October 1936. Notwithstanding that general rise in wholesale prices the wholesale prices of farm products were 4.3 percent lower in October 1937 than in October 1936. Notwithstanding that the wholesale prices of farm products had decreased, the retail price of bread had increased 6.4 percent, butter 6.1 percent, and round steak 19.9 percent in October 1937 as compared with October 1936. While the consumer paid more for farm products the farmer received less and the balance has gone to "restore confidence" to business and industry. Some of us are beginning to wonder just how much these industrial and financial interests are going to need before their confidence is fully restored.

Wages are not responsible for this disparity in the price that the consumer pays. The Honorable Robert H. Jackson, United States Assistant Attorney General, recently pointed out that the increases in iron and steel prices effective December 1, 1936, and March 1, 1937, were three times as great as necessary to cover the increased wages paid to steel workers and at least twice the amount necessary to cover the increases in costs of both labor and raw materials during the same period.

A study of the factor of railway wages in relation to retail prices reveals that a 10-percent increase in railway wages, if entirely passed on to the price of the retail product, would add but 0.8 percent to food prices, 0.016 percent to clothing prices, approximately 1.1 percent to fuel prices, and the effect on retail prices in general would be only about 0.5 percent.

In considering the effect of wages upon retail prices the important fact should not be lost sight of that in the railroad industry, as well as in many other industries, wage costs are less than half the total operating cost and consequently a 10-percent wage increase, all other factors being equal, would increase operating costs less than half that sum. When it is considered that purchasing power is what is so badly needed in this country and that higher wages will bring about improved markets and result in greater production, increased wage costs may be entirely absorbed by increased prosperity and productivity resulting therefrom. The truth is that historically in a period of economic recovery retail price advances precede wage increases. Thus, to argue that high wage costs cause uneconomic high prices, is to contend that effect precedes cause, a complete absurdity.

We come now to a consideration of more specific remedies for our economic ailments, including unemployment. I shall deal briefly with what may be done to increase employment on the railroads and also to enable the railroads to purchase more equipment and thereby improve other industries. First, let me assert that those who feel that railroad employees have largely protected themselves against the various contingencies that confront workers in this country, are laboring under a delusion. It is true that railroad employees recently received a small wage increase, but it is still true that the railroads are receiving more for their wage dollar than in previous periods, and consequently, this trend which I have pointed out whereby capital is constantly receiving an increasing share of the national income, still is true in the railroad industry. It is also true that through an agreement reached with the railroads, followed by action of Congress, the railroad employees of America now have a national retirement act.

But the value to the employees of this agreement has been greatly overstated. Great savings to the railroads at the expense of the employees resulted from this agreed-upon legislation. For instance, Moody's on Railroads, page 612, section No. 1, March 20, 1937, quotes Dow-Jones as saying that the immediate effect of the pension agreement would be to add about $50,000,000 in the year 1937 to the net income of the railroads. The financial page of the Cleveland Plain Dealer of March 18, 1937, carried the following headlines:

Rail shares are given good run—Pension agreement proves boost to list.

Page 37–L of the New York Times of March 18, 1937, contains the following statement:

Railway shares gain as industrials decline.

The active demand for railroad stocks with resultant gains of 1 to 2½ points for many of the leaders, was responsible to the overnight news of the agreement reached by railway management and labor on plans covering pensions and retirement of employees, indicating, as it does, substantial annual saving to the carriers; * * *

The further lift given railway shares sent the New York Times rail-stock index to a new high for the year, while at the same time the industrial share average touched a new low.

While other industrial stocks were declining, railway stocks increased as a result of this pension agreement, which would indicate that it was a very good thing for the railroads. An estimate based upon the movement of stocks of 10 railroads, which represent over one-third of the common stocks of all class I railroads, would indicate that the increase in market values of the stocks of all class I railroads during the 2-day period surrounding the public announcement of the pension agreement, was slightly in excess of 200 million dollars. This sum equals more than 3 years cost to the railroads of the pension agreement. Under the original 1934 Railroad Retirement Act, which was declared unconstitutional by the Supreme Court of the United States, the employees would have paid approximately 25.2 percent of the total pension burden, including gratuity pensions. Gratuity pensions are those which the railroads voluntarily paid prior to the present Railroad Retirement Act. Under the Retirement Act now on the statute books, the employees pay a full 50 percent of the cost of all pensions, including gratuity pensions which were previously paid entirely by the carriers. Estimated on the 1936 pay-roll basis, the total annual cost to the employees and the railroads of the Retirement Act now upon the statute books, will be approximately $1,400,000 more than the railroads alone would have paid underthe 1935 Retirement Act, and is actually $8,450,000 less than the railroads alone would have paid under the 1934 Retirement Act. It is small wonder that the financial interests gloried, and railroad stocks boomed, upon the final announcement of railroad retirement question. Under the 1935 act, which was never passed upon by the Supreme Court, the cost to the railroads for pension taxes and gratuity pensions would have been $106,950,000, estimated on the basis of the 1936 pay roll and the 1936 gratuity pension cost. The cost under the present act, estimated on the 1936 pay roll, will be $54,175,000 annually for the first 3 years or an annual savings to the railroads, over the 1935 act of $52,775,000. This annual savings to the railroads is equivalent to approximately 2.7 percent of the total wages of railroad workers.

Such an eminent statistical authority as Standard Statistics has emphasized the great savings to the railroads resulting from the

final settlement of the pension question. From their calculations, the present act will cost the railroads only 5 to 10 million dollars more annually than the amount paid into private pension funds maintained voluntarily by approximately 90 percent of the carriers, and the railroads will save approximately $53,000,000 annually for the first 3 years, as a result of the act now upon the statute books. The act has not been as beneficial in the way of increasing employment as it was hoped it would be, due to the fact that under the present act inducements to retire at age 65 were removed. The Hon. Murray W. Latimer, Chairman of the Railroad Retirement Board, testified before the House Committee on Interstate and Foreign Commerce, as follows:

> Mr. LATIMER. Of course, the postponement of the age of retirement resulting from eliminating inducements to retire does lower the annuity burden. In fact, we have calculated that it would probably lower the burden not less than $35,000,000 or $40,000,000 a year.

Half of this sum, of course, is a savings to the railroads, and the removal of inducements to retire, whereby under the previous acts the annuity was reduced one-fifteenth for each year the employee remained in service after the age 65, has caused many railroad employees to remain in service, and as a result there are not as many new jobs opened up to younger men.

There are those who have taken the position that extensive consolidation of the railroads would improve the financial credit of the carriers and thereby assist economic conditions generally. Those who favor railroad consolidation dismiss the effects of this program on railroad employees by saying that the employees have an agreement with the carriers which would protect them in case of the elimination of jobs resulting from consolidation. Again, I call your attention to the fact that financial interests were greatly encouraged by this agreement and hailed it under such headlines as "Rail Pay Pact Spurs Mergers." These financial interests have gleefully quoted former Federal Coordinator of Transportation Joseph B. Eastman as saying that "terminals could be consolidated in 5,000 or more cities with profit to the railway companies." Mr. Eastman is correct in emphasizing the profit angle to railroad consolidation. The testimony which Mr. George M. Harrison, chairman of the Railway Labor Executives Association, gave before the Interstate and Foreign Commerce Committee of the House of Representatives at the hearings on the Wheeler-Crosser Railroad Employment Protection Bill,[1] which was the basis for the agreement concerning consolidation, indicates very clearly that those who believe the consolidation agreement will protect the employees are laboring under a delusion. Mr. Harrison asserted:

> The plain fact is that the cost of this legislation (which was later converted into an agreement instead of legislation) will amount to only a fraction of the long-time savings which must result from railway unification. No burden is to be laid upon the railroads, on the contrary, present net revenues must gain if the claims being made by the advocates of consolidation are true. Railway employees under this bill will get absolutely nothing from present net revenues, but will receive a share of the net savings to result from future changes.

[1] Hearings on H. R. 11609, 74th Congress, March 3–April 4, 1936, 126 pp.

Mr. Harrison further said of the bill proposing to facilitate railroad consolidation:

> To speak of imposing burdens on the carriers, when as a matter of fact they are being given governmental aid to realize vast economies, and governmental permission to unify hitherto competing properties, seems wholly without foundation.

We may better understand the effects of railroad consolidation and the inadequacy of the agreement concerning railroad consolidation, by assuming a particular illustration. Assume a worker is 40 years of age, with 15 years railroad service. Now if we assume that he would continue to work for 25 years more, at $1,800 per year, he would in that period of time, earn $45,000. However, if consolidation occurs, many thousands of these railroad workers will lose their jobs and in return for the loss of their jobs, they will receive 60 percent of their salaries for a period of 5 years. Thus, the worker in the illustration given, would receive under the agreement a maximum of 60 percent of $1,800 per year for 5 years, or a total of $5,400. This would be a loss in wages to the worker of $39,600 and a corresponding saving to the coupon-clippers. Such is the way in which it is being proposed that purchasing power be destroyed and wealth be concentrated in this country. It seems that it is getting so that even the efforts which are being made toward protecting labor or increasing labor's income, are in the net result converted to enlargement of profits and capital gain. It is this trend that I am fearful of, and I solemnly assert that railroad consolidation, designed to advance the interests of capital at the expense of wages and the welfare of workers, will only aggravate the economic conditions from which America is now suffering.

I desire to call your attention to the fact that the railroads by their very policy of attempting to get the most possible from their employees through the use of more powerful locomotives, heavier rails, larger cars, and longer trains, are forcing themselves into taking the most unremunerative freight, and leaving to the trucks, the "cream of the traffic," which requires transportation service offering greater speed and flexibility. Our modern complex industrial system requires speed and flexibility in transportation service. Long trains cannot comply with these requirements, and for that reason, as well as for the more humane reason of promoting safety in railroad operation, we are urging the present Congress to enact the 70-car train limit bill. Likewise, our full crew bill, which requires, on a national basis, the employment of full crews of competent men to man our trains, not only will increase employment, but will also promote safety and superior service, so badly needed if the railroads are to compete successfully with other forms of transportation.

In this connection, let me point out to those who favor consolidation of the railroads, that the railroads have already consolidated and unified their services to the extreme point of injuring their business. The United States Post Office Department has recently launched a program of what is called star-route truck service, to supplant railroad carriers in the distribution of the mails. In many cases, it is contended that because of the slower and more infrequent service offered by the railroads, the Post Office Department has been compelled to adopt the motor-vehicle carrier in the distribution of mails. The thing which the railroads need today is larger traffic volumes and this can never be accomplished by reducing the number of services

available to the public. Mr. Paul Shoup, vice chairman, Southern Pacific Co., in a recent address before the Western Railway Club of Chicago, stated:

> No doubt, some further coordination and cooperation would make modest savings; but dearly bought if at the expense of progress—in no way a life-saver.

Not only would an extensive consolidation program reduce the services offered by the railroads, and throw thousands of railroad workers into the breadlines, but such a program would have a tremendous deflationary effect upon the whole Nation, by destroying railroad pay rolls in communities throughout the land and thereby impairing property values and injuring business in virtually all communities over the Nation. It is these deflationary measures which are designed to increase the already disproportionate share going to capital, that must be avoided in this country, if we are to solve the problem of unemployment.

I have told you wherein I disagree with the spokesmen for business and industry. Let me now inform you that I agree with one contention of industrial and financial interests. That is the contention that what is needed in this country is to increase production volume. However, I cannot agree that the employing interests of this country practice what they preach when they close factories and throw men into the bread lines, and refuse to produce the commodities so sorely needed by the American people. In this connection, may I briefly call your attention to legislation which has already been presented to this Congress under numbers H. R. 7325, 7335, 7332, and 7318,[2] commonly known as the Industrial Expansion Act. Briefly stated, this act proposes a program which might be described as the A. A. A. in reverse. It proposes to use the powers of government to increase, rather than reduce, production. That is the policy that we must adopt if we are ever to solve our ridiculous paradox of hunger amidst potential plenty. In the past we have geared our production system to the requirements of individual private profits. We must move forward to a program of gearing our economic production machine to the needs of the American people. Competent surveys have shown that people on relief could have been given a standard of living 40 percent higher at a cost of less than half what was actually paid for relief, if these relief clients had been permitted to contribute their own labor to their own support. The principle of work relief in the W. P. A. program is the correct approach, but its principle should be expanded to include a government-encouraged program of production of all commodities and services needed by the people, but now being withheld only because private profits are not served by producing them. In the past, business interests have cruelly and selfishly preferred to incur the burden of relief costs, rather than accept a program of permitting relief people to contribute to their own support by their own labor. Those who vainly cry, at a time when workers are engaged in a strike, that the right to work is a divine right, should be made to understand that this right to work is divine at all times and not just when working-men are striking against oppressive conditions.

I have been asked to express an opinion regarding the desirability of this Congress amending the Social Security Act so as to make unemployment insurance benefits immediately available. In my

[2] Bills of the 75th Congress, "To regulate the flow of interstate Commerce."

opinion, this would be desirable. We should bear in mind that all of the funds in the unemployment insurance reserve account are welled-up purchasing power, which, if in the hands of the unemployed workers, would be of some assistance in creating the markets so badly needed today. In this connection, I desire to call to your attention a statement made by Mr. D. E. Montgomery, A. A. A. Consumers' Counsel, as quoted in the press of September 12, 1937. Mr. Montgomery stated:

> The one frightening thing about the present picture is the reported tremendous volume of installment buying. Installment credits outstanding have increased from $6,000,000,000 in 1929 to $9,000,000,000 at present.

It must be realized that this $9,000,000,000 of outstanding installment credits represent an unreal purchasing power which American industry has already enjoyed in the way of markets, but which must yet come out of future income. We may better comprehend the economic effects of this upon mass purchasing power by realizing that this $9,000,000,000 which must come out of future purchasing power is equivalent to the pay rolls of all railroads in the United States for a period of about 4 years, yet the suspension of railroad pay rolls even for 1 year would be fatal to our economic system.

According to the official report of the United States Department of Commerce, corporation dividends paid in 1937 almost equaled those paid in 1929. In 1937, dividends paid out by all corporations equaled $5,120,000,000, while in 1929, they equaled $5,969,000,000. Some will explain this on the basis of taxation policies adopted since the advent of the New Deal, but however it may be explained, the fact remains, as stated by Assistant Attorney General Robert H. Jackson, that big business has been "saved from ruin and restored to arrogance." In order to escape the tax on corporate surpluses, such surpluses were distributed in the ratio of 80 percent to the coupon clippers and 20 percent to labor.

Is it any wonder that we have a brief spell of recovery, promptly followed by a "recession." This brief period of recovery enabled the automobile industry to produce, in 1937, close to what it produced in 1929, and to do it in only a portion of the year. In 1937, 4,975,000 passenger cars and trucks were produced, compared with 5,500,000 produced in 1929. It cannot be doubted that industry has the "confidence" to produce, but with increased use of machines and power, it does not take long to use up all of the mass purchasing power and exhaust the markets. All lines of business proved in the year 1937 that they have the confidence, the capital investment, and the capacity quickly to use up all the purchasing power available and accordingly the charts for the year 1937 show a falling off of production and business activity and an increase in relief in the closing months of the year.

The answer to all of these problems, as I conceive it, is that mass purchasing power, rather than the "confidence" of investors and speculators, must be restored through improved wages and shorter work hours and until this is done, the Government necessarily must continue to bear a heavy relief load.

PART 2

The following statement relates particularly to the relation of the railways to the unemployment and business situation.

PURCHASE OF MATERIALS AND SUPPLIES BY CLASS I RAILWAYS

A total of $803,421,000 was spent by class I railways in 1936 in the direct purchase of materials and supplies. Of this total, purchase of fuel aggregated $272,270,000; purchases of forest products, $76,683,000; purchases of iron and steel products, $273,753,000; and miscellaneous purchases, $180,715,000.

Figures of railway purchases of materials and supplies are shown below, these figures covering only purchases made directly by the roads. They do not include the value of materials and supplies purchased indirectly for the railways by contractors, who carry on construction work, who build equipment, or do other work for the railways:

1923	$1, 738, 703, 000	1931	$695, 000, 000
1924	1, 343, 055, 000	1932	445, 000, 000
1925	1, 392, 043, 000	1933	465, 850, 000
1926	1, 559, 032, 000	1934	600, 224, 000
1927	1, 359, 928, 000	1935	593, 025, 000
1928	1, 271, 341, 000	1936	803, 421, 000
1929	1, 329, 535, 000	1937	[1] 846, 000, 000
1930	1, 038, 500, 000		

[1] Estimated.

Class I railroads in 1937 installed 76,000 new freight cars in service, the greatest number for any year since 1930. In 1936, 43,491 new freight cars were put in service and in 1935, 8,903 cars. New freight cars on order December 1, 1937, however, totaled only 12,566 compared with 19,844 on the same date last year. However, this is an increase of 8,076 above those on order on December 1, 1935.

Class I railroads in 1937 installed 375 new steam locomotives in service, compared with 87 in 1936 and 40 in 1935. New electric and Diesel locomotives installed in the past year totaled 65, compared with 34 in 1936 and 102 in 1935. The railroads on December 1 had on order 156 new steam locomotives and 40 new electric and Diesel locomotives, compared with 111 steam and 5 electric and Diesel locomotives on order of the same date in 1936, 14 steam and 3 electric and Diesel locomotives on order December 1, 1935.

The foregoing statements show the decline and subsequent rise in railroad purchases as business fell off up to 1933 and again started on the upward trend during the years 1934 to the middle of the year 1937. The following statement shows the average yearly order for equipment during each 7-year period from 1917 to 1937, inclusive:

Period	Average number per year		
	Locomotives	Freight cars	Passenger cars
1917 to 1923, inclusive	1,756	85,389	1,150
1924 to 1930, inclusive	965	83,480	1,875
1931 to 1937, inclusive	201	25,450	239

While this shows a marked decline during the last 7 years, it is reasonable to assume that with greater revenues the figures for previous periods would have been more equaled, in view of the policy followed by the railroads of constantly increasing the size of locomotives and cars and the lengths of trains, which has resulted in a progressive decline in the number of locomotives in service since 1923, and progressive increase in the tractive power and efficiency of those in use.

This policy of the railroads has resulted in a constantly diminishing cost for labor, as is illustrated by the following statement showing a comparison of labor costs for selected items, as reported by the Interstate Commerce Commission:

Comparison of selected items of railway labor costs of class I steam railways, 1926–35

Year	Pay roll, executive officials, chargeable to operating expenses per—					
	Car-mile, all services		Car-mile, loaded freight plus passenger train		Gross ton-mile, freight and passenger	
	Cents	Index	Cents	Index	Mills	Index
1926	8.11	100	12.16	100	2.43	100
1927	8.07	100	12.22	100	2.44	100
1928	7.75	96	11.74	97	2.33	96
1929	7.69	95	11.67	96	2.28	94
1930	7.58	93	11.67	96	2.26	93
1931	7.38	91	11.40	94	2.23	92
1932	6.74	83	10.40	86	2.05	84
1933	6.21	77	9.62	79	1.88	77
1934	6.25	77	9.71	80	1.90	78
1935	6.67	82	10.16	84	1.97	81

Year	Freight pay-roll expense for revenue ton-mile		Year	Freight pay-roll expense per revenue ton-mile	
	Mills	*Index*		*Mills*	*Index*
1926	4.25	100	1931	4.21	99
1927	4.33	102	1932	3.99	94
1928	4.18	98	1933	3.56	84
1929	4.14	97	1934	3.60	85
1930	4.17	98	1935	3.70	87

Source: Statistics of railways, United States, year 1935, Interstate Commerce Commission, p. S–32.

This shows that during the 10-year period the labor cost per car-mile has decreased 18 percent; the labor cost per loaded freight car and passenger car-mile combined has decreased 16 percent; the labor cost per gross ton-mile for freight and passenger service has decreased 19 percent; and the labor cost per revenue freight ton-mile has decreased 13 percent.

The following statement, showing the proportion of the revenue dollar spent for wages each year 1920 to 1936, also shows that railroad expenses are not being adversely affected by the wage rates paid the employees:

Proportion of railroad revenue dollar spent for wages chargeable to operating expenses, years 1920 to 1936

	Cents		Cents
1920	55. 4	1929	42. 6
1921	46. 9	1930	44. 8
1922	44. 4	1931	46. 9
1923	44. 3	1932	46. 0
1924	44. 3	1933	43. 2
1925	43. 2	1934	44. 1
1926	42. 6	1935	45. 0
1927	43. 9	1936	42. 9
1928	43. 0		

An illustration of the increased productivity of railroad employees is given in the following:

Gross ton-miles handled in freight service per dollar of wages paid road freight brakemen of class I railroads, United States, years 1920 to 1936

Year	Gross ton-miles per dollar wages	Index base, 1920=100	Year	Gross ton-miles per dollar wages	Index base, 1920=100
1920	5, 812	100. 0	1929	9, 277	159. 6
1921	6, 987	120. 2	1930	9, 762	168. 0
1922	7, 207	124. 0	1931	10, 105	173. 9
1923	7, 411	127. 5	1932	10, 921	187. 9
1924	7, 798	134. 2	1933	11, 590	199. 4
1925	8, 231	141. 6	1934	11, 589	199. 4
1926	8, 538	146. 9	1935	10, 893	187. 4
1927	8, 678	149. 3	1936	10, 857	186. 8
1928	9, 302	160. 0			

TRAFFIC TRENDS

Revenue car loadings showed an increase over 1936 during each of the first 9 months of the year 1937, and a decrease in every week of the remaining 3 months. The following statement shows a comparison of the loadings during 1930, 1936, and 1937:

	1937	1936	1930
Five weeks in January	3, 316, 886	2, 974, 553	4, 246, 552
Four weeks in February	2, 778, 255	2, 512, 137	3, 506, 899
Four weeks in March	3, 003, 498	2, 415, 147	3, 515, 733
Total first quarter [1]	9, 098, 639	7, 901, 837	11, 269, 184
Four weeks in April	2, 955, 241	2, 543, 651	3, 618, 960
Five weeks in May	3, 897, 704	3, 351, 564	4, 593, 449
Four weeks in June	2, 976, 522	2, 786, 742	3, 718, 983
Total second quarter [2]	9, 829, 467	8, 681, 957	11, 931, 392
Five weeks in July	3, 812, 088	3, 572, 849	4, 475, 391
Four weeks in August	3, 155, 708	2, 954, 522	3, 752, 048
Four weeks in September	3, 182, 943	3, 062, 378	3, 725, 686
Total third quarter [3]	10, 110, 739	9, 589, 749	11, 953, 125
Five weeks in October	4, 017, 319	4, 097, 448	4, 751. 349
Four weeks in November	2, 627, 637	3, 014, 667	3, 191. 342
Four weeks in December	2, 309, 127	2, 777, 017	2, 781. 582
Total fourth quarter [4]	8, 954. 083	9, 889, 132	10, 724, 273
Total for year	37, 992, 928	36, 062, 675	45, 877, 974

[1] Increase over 1936, 1,196,802 or 15.1 percent.
[2] Increase over 1936, 1,147,510 or 13.2 percent.
[3] Increase over 1936, 520,990 or 5.4 percent.
[4] Decrease under 1936, 935,049 or 9.5 percent.

The following statement illustrates the rapid decline in carloadings and consequent decline in employment from the peak of traffic in 1937, to the end of that year:

Carloadings by weeks

	1937	1936		1937	1936
First 3 quarters	[1] 29,038,845	26,353,543	Week ended—		
			Nov. 13	689,614	784,980
Week ended—			Nov. 27	558,627	680,300
Oct. 2 (peak 1937)	847,245	819,577	Dec. 4	623,337	715,295
Oct. 9	815,122	820,570	Dec. 11	622,131	739,096
Oct. 16	809,944	836,545	Dec. 18	603,292	730,048
Oct. 23	773,344	840,242	Dec. 25	460,367	562,578
Oct. 30	771,655	814,614			
Nov. 6	732,145	759,615	Total last quarter	[2] 8,954,683	9,889,132

[1] Increase, 2,685,302 or 10.2 percent.
[2] Decrease, 935,049 or 9.5 percent.

Attention is called to the rapid decline in traffic which took place following the week ending October 2, 1937, and to the decrease in car loadings as compared with each corresponding week of the previous year. Special attention is called to the unfavorable showing during the months of November and December 1937, as compared with the same months of 1936.

A comparison of the freight ton-miles handled, as reported by the railways, gives another striking illustration of the recession in traffic and consequent loss of equipment:

Freight ton-miles handled compared with 1936

First quarter 1937 (increase)	20.5
Second quarter 1937 (increase)	14.4
Third quarter 1937 (increase)	6.4
Fourth quarter 1937 (decrease)	10.2

Forecasts for the first quarter of the year 1938 indicate a decrease of somewhat more than 8 percent in car loadings, as compared with the first quarter of 1937. This should permit of a somewhat improved employment situation as compared with the last quarter of 1937, but it is doubtful whether the decrease in the last quarter of 1937 will be wholly absorbed.

The effect on employment in 1937 is illustrated by the following table showing the number of engine, train and yard service employes, class I railways, for the first 10 months of 1937 and the total number of all employes for each of the months of that year, both compared with the same month of 1936:

Trend of employment—engine, train, and yard service and all employees, class I railroads only, year, 1937

Month	Engine, train and yard service	Comparison with same month previous year	Total employees	Comparison with same month previous year
January	253,252	[1] 28,289	1,075,175	[1] 93,322
February	254,424	[1] 16,052	1,099,088	[1] 66,675
March	253,218	[1] 16,907	1,101,003	[1] 79,989
April	251,942	[1] 18,986	1,131,030	[1] 31,307
May	249,754	[1] 16,496	1,153,713	[1] 85,298
June	248,978	[1] 18,050	1,171,683	[1] 94,128
July	251,183	[1] 15,071	1,174,434	[1] 88,506
August	249,438	[1] 11,928	1,162,764	[1] 72,279
September	250,296	[1] 9,923	1,133,003	[1] 31,360
October	253,104	[1] 7,220	1,115,588	[1] 6,618
November	[2]		1,060,296	[3] 31,754
December	[2]		1,040,000	[3] 41,590

[1] Increase.
[2] Not available.
[3] Decrease.

It will be noted that each of the first 10 months of 1937 showed an increase in the number of engine, train, and yard service men ranging from 7,220 to 28,289, as compared with the same months of 1936, and an increase in the total employees ranging from 6,618 to 94,128. We do not have available the decrease in engine, train, and yard service employees for November and December, but it will be noted the total employees decreased 31,754 in November 1937, as compared with November 1936, and 41,590 in December 1937, as compared with December 1936.

Reports reaching my office from all sections of the country are to the effect that further decreases in forces are being made daily. A characteristic description of the situation given by our men is that the bottom has dropped out of traffic.

A very illuminating illustration of what has happened to employment in the railroad industry is found in the following statement showing average number of employees of all classes engaged in such service years 1920 to 1937, inclusive.

Trend of employment, class I railways—average number of all employees, years 1920–37

Year	Total employees	Comparison with previous year	Year	Total employees	Comparison with previous year
1920	2,022,832		1929	1,660,850	[2] 4,439
1921	1,659,513	[1] 363,319	1930	1,487,839	[1] 173,011
1922	1,626,834	[1] 32,679	1931	1,258,719	[1] 229,120
1923	1,857,674	[2] 230,840	1932	1,031,703	[1] 227,016
1924	1,751,362	[1] 106,312	1933	971,196	[1] 60,507
1925	1,744,311	[1] 7,051	1934	1,007,702	[2] 36,506
1926	1,779,275	[2] 34,964	1935	994,371	[1] 13,331
1927	1,735,105	[1] 44,170	1936	1,118,148	[2] 52,178
1928	1,656,411	[1] 78,694	1937 (December)	1,040,000	[1] 41,590

[1] Decrease.
[2] Increase.

It will be noted that in 1920 the total number of employees was 2,022,832. In December 1937 there were but 1,040,000, or only about half the number employed in 1920. In 1935 the number dropped to 994,371. Both technological change and decreased traffic have taken their toll of railroad employment.

The decrease in 1921 and 1922 was due, in a large measure, to business conditions. The peak years of railroad traffic were 1920, 1923, 1926, and 1929. It will be noted that in 1923 the total number of employees was 1,857,674, or 165,158 less than 1920, yet there was a slight increase in the revenue ton-miles handled in 1923 as compared with 1920. The revenue freight ton-miles handled in 1929 were 8.5 percent in excess of 1923, yet there were 196,824 less employees engaged in railroad service.

Thus between 1920 and 1929 there was a total decline of 361,982 employees, yet in the latter year the revenue freight ton-miles exceeded those in the former by 9 percent. This decrease in employment can be attributed to technological developments in the industry, capital expenditures for larger locomotives, and other improvements and increased efficiency and productivity of the personnel.

Between 1929 and 1937 the number of employees decreased 542,702, or 32.7 percent, yet the ton-miles of revenue freight handled in 1937 were only 19 percent less than in 1929. This decrease in employment can be atributed both to the depression and to the continuing productivity and operating efficiency of the personnel.

So that from 1920 to 1937 the number of railroad employees decreased 904,684. In December 1937 an additional 78,000 were unplaced.

TAXES PAID BY CLASS I RAILROADS DURING 1936 AND 1937

Taxes paid by class I railroads in 1936 consumed 7.89 percent of gross operating revenues. In other words, out of each dollar received in 1936, approximately 8 cents had to be set aside for local, State, and National tax collectors. The average amount of each dollar of revenue set aside to pay taxes for the class I lines is shown below:

	Cents		Cents
1916	4. 37	1931	7. 25
1921	5. 00	1932	8. 80
1926	6. 09	1933	8. 06
1927	6. 13	1934	7. 32
1928	6. 37	1935	6. 86
1929	6. 32	1936	7. 89
1930	6. 60		

Class I railroads (137 class I railroads, representing a total of 235,513 miles), in the first 10 months of 1937, paid $279,498,971 in taxes, compared with $260,252,609 in the same period in 1936.

Railway taxes in 1936 totaled $319,700,000, of which 86 percent was collected by State and local governments. Taxes amounted to 28.5 percent of the lines net operating revenue.

More than one-half the total increase in railway operating costs is due to new Federal taxes and to the rising prices of materials and supplies and fuel which the railroads must buy.

Under the Social Security Act the railroads, in common with other employers, pay a tax on their pay roll to finance the unemployment-compensation payments provided by that act. This tax was effec-

tive January 1, 1936, at the rate of 1 percent of the pay roll; increased to 2 percent January 1, 1937, and increased to 3 percent during the year 1938. This tax, during 1936, approximated $18,250,000, and in 1937 was approximately $39,500,000.

The 1937 Retirement Tax Act became effective January 1, 1937. The railroads and employees each contribute an amount equivalent to 2¼ percent of the pay roll, so that during the year 1937 the railroads and the employees each paid in such taxes an amount approximating $54,000,000. The railroad proportion must be credited with an amount which represents the saving due to annual payments heretofore made under their individual private pension plans, and which are now made out of the Retirement Tax Act contributions heretofore mentioned. It is estimated these payments will be $360,000,000 during the next 12 years. We estimate the net additional taxes account of the Social Security and Retirement Tax Acts has amounted to the following:

	1937	1936
Unemployment compensation tax	$39,500,000	$18,250,000
Railroad retirement tax	54,000,000	
Total	93,500,000	18,250,000
Less credit account private pensions taken over July 1, 1937 (½ year)	19,000,000	
Net	74,500,000	18,250,000

In subsequent years, the railroads' expense will be reduced by an amount averaging $30,000,000 per year over the next 12 years. This amount in 1938 will probably be $35,000,000.

The total for the year 1938 will be $18,000,000 to $20,000,000 in excess of 1937, account of increase in the rate of unemployment compensation tax, less the increased credit in that year for a full year of private pension payments now made out of Retirement Act taxes. The Retirement Act tax increases one-fourth of 1 percent each, for the employees and the carriers, every 3 years, and reaches the maximum of 3¼ percent each, January 1, 1949.

To the end of 1937, about 95,000 applications for annuities had been filed with the Railroad Retirement Board, of which it is estimated that 85,000 will be found to be eligible. As of December 31, 1937, 58,000 applications for retirement had been granted by the Board. Approximately 5,000 of these were since terminated by death.

The pensions transferred from carrier to retirement board rolls as of July 1, 1937, numbered 54,782, and this total has been reduced subsequently by perhaps 3,500 to 4,000 by deaths.

SUGGESTIONS

1. That Federal regulation, through the Interstate Commerce Commission, be extended to cover domestic water and air transportation, and with early and complete enforcement of Motor Carrier Act to eliminate unfair competition and competition of subsidized transportation.

Railroads must pay 8 cents in taxes for every dollar they receive, while their competitors on the highways pay only 3 cents, and their competitors on the waterways pay next to nothing. This inequality

should be corrected. The railroads contribute so much to employment and national purchasing power, buying 19 percent of our fuel-oil output, absorbing 17 percent of total iron and steel output of the country, 23 percent of our national output of bituminous coal, and 16 percent of the total timber cut (this figure would be increased to above 20 percent if indirect purchases were included), that sound economic policy requires an adjustment of this situation.

2. That an increase in freight rates and passenger fares be authorized contingent upon this increased revenue being earmarked for use in effecting economies and improving operations and service through the purchase of equipment, materials, and supplies. The Railway Age in its January 1, 1938, issue contains an article (p. 6) advocating the proposed freight rate increase, which is captioned:

> Railway purchases from manufacturers are closely controlled by their net railway operating income. Boost rates $500,000,000 and railway buying will certainly be at least that much greater than it would be without the increase.

The railways claim they are $1,000,000,000 behind in their maintenance and increased revenues should be proportionately used for labor and materials to the end that this deficiency be absorbed as rapidly as possible.

3. That the Government continue to handle mail contracts with railways instead of diverting this business to motor-truck transportation.

4. Revise the Undistributed Profits Tax Act so as to permit roads to make provision in good years to carry them through depression years.

5. Amend the Retirement Act and provide for compulsory retirement at 70, optional at 65, in lieu of present provision.

The CHAIRMAN. Mr. Whitney, I want to ask you one or two questions:

With reference to the statement as to retirements, as I understand you, what you refer to as the savings to the railroad is based upon the amount paid, actually paid, by the railroad, as compared with what they would have paid if the act we passed in 1935 had become effective?

Mr. WHITNEY. That's right.

The CHAIRMAN. You do not mean that there is a reduction in the amount paid by the railroads prior to the time that we enacted that legislation, but it is less than they would have paid if the first act had become effective?

Mr. WHITNEY. It is less than what they would have paid if the 1934 act had remained in effect, or if the 1935 act had not been amended.

The CHAIRMAN. That is what I mean. Insofar as we are keeping solely to get information, insofar as the earnings of the railroads are concerned, I do not imagine that there is any disagreement between you and Mr. Pelley as to the earnings of the railroads at this time.

Mr. WHITNEY. Oh, I agree with Mr. Pelley that the earnings have fallen off very markedly since the first of October, 1937.

The CHAIRMAN. I think we both agree that when the announcement of the retirement agreement reached by your organizations and the employees, when that announcement was made, that if the stocks fluctuated, it did not necessarily mean any great savings, because sometimes a stock will go up today and go down tomorrow.

Mr. WHITNEY. I do not agree with that statement, Senator. I think that the Wall Street brothers were overjoyed when they learned that Mr. Pelley—and I am not criticizing Mr. Pelley in his capable way of handling this matter with the Labor Committee—was able to include the gratuity pensioners under an amendment of the 1935 act and thereby relieve the railroads of the burden of paying one-half of that bill for the next 12 years. In other words, the gratuity-pension bill in 1936 amounted to approximately $36,000,000, paid by 90 percent of the railroads which had voluntary pension systems. When the committee discussed the advisability of absorbing that burden in the bill, they sent their experts out to determine what it would cost per year and how many years it would take to wash out the gratuity pensioners. They were advised it would take 12 years to wash out the gratuity pensioners, at a cost of $360,000,000, or an average of $30,000,000 a year, and one-half of that cost was saddled on the railway workers because it was incorporated in the bill, and the railway workers pay one-half of that. Consequently, the railroads will save, under that portion of that agreement, for a period of 12 years, approximately $180,000,000, and that was the portion of the agreement that the stock-market people liked, that appealed to the stock-market people, and, further, that naturally increased the tax, pyramided the the tax. Then the committee found that it would be obliged to do something to keep the tax down, because the railroads objected to a high tax, and naturally the employees would, so they began to figure on what they could eliminate in the law to reduce or to offset this added cost, and they discovered, one day, that if they took the limitations off the 65-year clause that they could save approximately $35,000,000 a year, and that is why the limitations were removed.

The CHAIRMAN. I wanted to ask you about that. It is now in agreement, it is in the form of an agreement?

Mr. WHITNEY. It is in the form of a law.

The CHAIRMAN. I thought you had an agreement, though, as to your——

Mr. WHITNEY. Yes, Senator; it was an agreement, and the Congress did not change the dot of an "i" or the cross of a "t."

The CHAIRMAN. I remember that very well. I think that was about the exact words we used in support of it at the time it was adopted, but I want to know the effect of it. When a man reaches 65 you say half of this sum is a saving to the railroads and a removal of inducement to retire, whereby the annuity tax becomes a question each year after the age of 65.

Mr. WHITNEY. Yes, sir.

The CHAIRMAN. As a result not as many jobs are opened up to younger men?

Mr. WHITNEY. That is correct.

The CHAIRMAN. Who is advocating this—the workers or the railroads or the committee?

Mr. WHITNEY. The committee that had in hand the promulgation of an agreement advocated that, agreed upon that, because they were avoiding, or trying to avoid, a high tax.

The CHAIRMAN. The committee representing the employees?

Mr. WHITNEY. Yes, sir; representing the carriers and the employees. Mr. Pelley headed the carriers' committee and Mr. George M. Harrison headed the employees' committee.

The CHAIRMAN. Was there any objection to it?

Mr. WHITNEY. Yes; there was objection to it.

The CHAIRMAN. By whom?

Mr. WHITNEY. By the Brotherhood of Railroad Trainmen and by individual members all over the country.

The CHAIRMAN. What was your objection to it?

Mr. WHITNEY. My objection was simply that the limitations in the 1935 act were sound and proper, and that on account of the unemployment situation in this country the President was moved to recommend that a Retirement Act be passed by the Congress not only for all the purposes and benefits that go with it but for the further purpose of stimulating employment, and that when the 65-year clause was emasculated, as it was, that that destroyed, to a large extent, the purpose of the law in relation to increasing employment.

The CHAIRMAN. Well, do I understand, then, that the employers advocated this change as to workers over 65, removing the inducement to retire?

Mr. WHITNEY. I think the employee representatives were as guilty as the employers. I think they were both tarred with the same stick, on that.

The CHAIRMAN. Do you agree at this time that it should be amended so as to remove the retirement over 65, to go back to the original agreement?

Mr. WHITNEY. I agree that that would be very desirable.

The CHAIRMAN. What is the position of management, the other party to it?

Mr. WHITNEY. You would have to ask Mr. Pelley on that.

The CHAIRMAN. You have not conferred with him on it?

Mr. PELLEY. Senator Byrnes, may I answer that?

The CHAIRMAN. Certainly.

Mr. PELLEY. I sat in on all these conferences. I can straighten you out on that. Mr. Whitney is correct in saying that both sides had views on this compulsory retirement age. Under the voluntary systems of the railroads, most of them had a compulsory retirement age of 70. The men wanted it at an earlier age, probably to get the older fellows out and give the younger men an opportunity to come on. Well, I will tell you what decided it: There was no choice about it for either side. The cost decided it. The men wanted certain benefits. They were willing to pay as much as they could for those benefits, making a compulsory retirement age, but it put the cost up so high that the men either had to pay more or reduce the benefits, so we simply agreed, as I say. The facts decided it, the costs decided it; it was not a case of the men wanting it or we wanting it or not. Really, in the end, the cost decided it; so we decided we would have no compulsory retirement age, because the cost was prohibitive. If you make all men retire at the age of 65 you have so many men on pensions that the cost is just so high, that the men were willing to pay dollar for dollar with us, they said from the beginning that they would match every dollar we put in, they would put in one for every one we put in, perfectly fair, equitable, and right. It just took too many dollars for us to have a retirement age of 65 or any other. That is all there was to it.

The CHAIRMAN. I understood you to say it was not a material factor in the employment situation.

Mr. PELLEY. I don't think it is. I haven't any statistics on it, but I don't think so.

The CHAIRMAN. What do you think, Mr. Whitney? Would the change affect employment to any extent?

Mr. WHITNEY. Naturally it will affect employment. Assuming 5 percent of our workers made application for retirement at age 65, that would be quite a factor in increasing employment.

The CHAIRMAN. Does your statement indicate that probably 25,000 men are eligible to retire?

Mr. WHITNEY. 100,000.

The CHAIRMAN. How many?

Mr. WHITNEY. I would say there are 100,000 eligible to retire at the time the act was passed by the Congress last June.

The CHAIRMAN. Sixty-five?

Mr. WHITNEY. No; 100,000.

The CHAIRMAN. What age?

Mr. WHITNEY. Oh, I couldn't answer how many there were—well, they would be at the age of 65 and over, and employees who had been in the service for 30 years or longer.

The CHAIRMAN. And there would be as many as 100,000?

Mr. WHITNEY. Yes, sir; 10 percent of all the men in the service.

The CHAIRMAN. How many did retire?

Mr. WHITNEY. I don't know how many applications are in, but I have some figures here indicating that about 100,000 retired at the first of the year, and, of that number, more than 54,000 of them were gratuity pensioners, or people that were on the voluntary-pension rolls of the carriers.

The CHAIRMAN. Mr. Pelley stated, I think, it was just the natural desire of a man not wanting to quit, not wanting to give up, that caused him to stay on the job.

Mr. WHITNEY. There is a lot of truth in that statement, insofar as a large percentage of the men in the industry are concerned. There are, however, many men who desire to retire as soon as they become eligible, and there are many who are making application to retire now at the age of 65.

I do not want the honorable committee to become confused on Mr. Pelley's recent statement that they were prompted to lift the age limit purely to avoid pyramiding the costs. That is true, that was the reason, but the real reason that they were obliged to do that was because they agreed to take over the gratuity pensioner at a cost of $30,000,000 a year for a period of 12 years, which was not contemplated when we appointed the committee, and which arrangement does not appear in the 1934 act or the 1935 act. It was an afterthought, and one which was very good for the railroads.

The CHAIRMAN. Speaking of this employment-protection bill, do I understand that if consolidation occurs 60 percent of the salary of an employee who loses his job thereby would be paid to him for a period of 5 years; is that it?

Mr. WHITNEY. Yes, sir; if he can prove that he was eligible to hold a job during that period.

The CHAIRMAN. Would it be dependent entirely upon the fact that he was out of a job and unable to secure one, or could he draw that and go ahead and get other employment?

Mr. WHITNEY. No. He can draw that from the carriers if he is thrown out of railroad employment.

The CHAIRMAN. No matter what he does?

Mr. WHITNEY. That's right.

The CHAIRMAN. Suppose he went out and got a job that paid him more than the job he had with the railroad.

Mr. WHITNEY. I think he would still draw the 60 percent of his salary, under the arrangement.

The CHAIRMAN. For 5 years?

Mr. WHITNEY. Yes. Of course, we must bear this in mind: The average age of the trainmen, that is, in my brotherhood, is 48 years; the average age of conductors is 56 years; the average age of an engineer is 58 years. When the railroads dump us, nobody else wants us; we are too old, and the railroad business is our profession, and industry prefers picking up younger men.

The CHAIRMAN. I would appreciate that and would have great sympathy with it, but I am just saying, assuming that was not true in the case of an individual, and he went out and got a better job than he had had, he would go out and receive that?

Mr. WHITNEY. That's right.

The CHAIRMAN. He does not have to specify that he is unable to receive employment elsewhere?

Mr. WHITNEY. That is true.

NOTE.—In order to receive the "coordination allowance," the employee must have been deprived of "his employment within 3 years from the effective date of said coordination," his disemployment must have been "solely due to and resulting from" railroad coordination or consolidation and he receives the allowance only if "unemployed by his home road or in the coordinated operation * * *." In order to receive the allowance for as long as 5 years, he must have had 15 or more years of service; in other words, the period of time he will receive the allowance is graduated according to his length of service to the railroads and reaches a maximum of 5 years for 15 or more years of service. During the time he receives the "coordination allowance," he is subject "to call to return to service * * *."—A. F. WHITNEY.

The CHAIRMAN. As to the dividends of the corporations, are you in accord with the statement of Mr. Pelley as to the fact that only a few, I think he said four or five, of the important railroads did pay dividends during 1937? Whatever happened to the other corporations, the railroads didn't pay dividends on common stock as a general thing, did they?

Mr. WHITNEY. Mr. Pelley is correct. Of course, this question of dividends is a long story that would require the time of a special committee of expert witnesses and many days to go to the bottom of. In agreeing with Mr. Pelley's statement I am not agreeing that the railroads that were unable to pay dividends have a right to blame anyone for it except the bankers, probably, and themselves, but it is a fact that very few railroads paid dividends on common stock in 1937.

The CHAIRMAN. Regardless of whether it was management or the bankers, the stockholders did not get them.

Mr. WHITNEY. That's right; and I don't think they are entitled to them, in many instances. The only reason I ever bought common stock in a railroad was to gamble on it, and I think that is true of the average purchaser of common stock. I bought it for purely speculative reasons, and if a man wants to take a plunge like that he should not squawk if he loses now and then.

The CHAIRMAN. I think quite a number of insurance companies have investments in common stock, and you don't think every purchase is solely for speculative purposes, do you?

Mr. WHITNEY. I am glad you brought up the insurance companies because, take the Metropolitan, the largest insurance company in this country, and I personally talked with Mr. Ecker during the early days of the panic, along in 1929 and 1930, and I kept in touch with that situation. As late as 1934 the Metropolitan, notwithstanding that it owns about $750,000,000 in railroad securities, had lost less than one-half of 1 percent on interest payments on those securities, because they had picked up and purchased the very finest railroad securities that money could buy, and the New York Life owns approximately $375,000,000 in railroad securities, and they haven't lost a dollar on the principal. There are some of the interest payments that are delinquent, but insurance companies do not deal, as a general proposition, in common stocks. They deal in high-grade bonds. Very few insurance companies even deal in preferred stocks.

The CHAIRMAN. Your theory is that any investment in common stocks, then, is purely speculative?

Mr. WHITNEY. Purely speculative.

The CHAIRMAN. I don't know that I understood your thought about this relief situation, that "competent surveys have shown that people on relief could have been given a standard of living 40 percent higher at a cost of less than half what was actually paid for relief, if these relief clients had been permitted to contribute their own labor to their own support."

What do you mean by that, the mechanics of it?

Mr. WHITNEY. I mean, if the people were given a chance to work, if employment opportunities were available, the burden would be less on the relief load and the whole country would be benefited thereby.

The CHAIRMAN. Well, you mean, through such projects as W. P. A. instead of directly?

Mr. WHITNEY. That is right; yes, sir.

The CHAIRMAN. You mean you believe in work relief?

Mr. WHITNEY. I do not believe——

The CHAIRMAN (interposing). In the dole?

Mr. WHITNEY. I do not believe it is fair for our Government or any of us to encourage gratuities, because there is a certain percent of people that become discouraged when you give them a gratuity or you give them relief, their pride is hurt, and it is not a good thing for society. It is just like supporting a group of people with tips. Their services should be paid for in wages; they should not be obliged to depend on tips.

The CHAIRMAN. I heartily agree there. What is the mileage that the average crew runs, Mr. Whitney, do you know, offhand?

Mr. WHITNEY. The mileage in freight service per month ranges from 3,000 to 4,800 miles. Three thousand miles is equivalent to a full month of 30 days. The mileage in passenger service ranges from 4,500 to 7,000 miles a month. Four thousand five hundred miles is the equivalent of a full month's work, and we have guarantees in passenger service. The railroads are obliged to permit the men to earn a full month. The Brotherhood of Railroad Trainmen has always opposed the share-the-work scheme, because it is merely sharing the misery, but we do hold that it is fundamentally wrong for men to

work excessive time or run excessive miles at any time, and more especially when they are doing that and keeping other men out of employment. We think that there should be a standard arrangement between the organizations and the railroads, covering the country as a whole on this question of maximum and minimum mileage and maximum and minimum time, the both of which affect their wages. Some organizations, such as Mr. Pelley testified to, representing the men in the shop crafts and the maintenance people, divided the work, but they divided the work during the panic to a point where nobody could live, and then they gradually increased that time by going to the carriers and getting them to agree to take off men. In 1932 the B. of R. T. took steps to reduce the mileage of its men. The mileage was very high, and as a result of that, and with the cooperation of the railroads, and they all cooperated, with two or three exceptions, we were able to increase employment by 15,000 trainmen and yardmen but, after business began to pick up in 1935, and 1936, our men became restless and some of these arrangements have been abandoned and many of our people are back now on the higher mileage.

The CHAIRMAN. Mr. Whitney, are you in favor of the Interstate Commerce Commission granting the increase asked by the railroads?

Mr. WHITNEY. I am. I qualify that by saying that since the Interstate Commerce Commission have held that the plant is worth $26,000,000,000 and that they are entitled to a 5½ percent return on the investment, that the law ought to be complied with, and that statement is further qualified to this extent—that I believe the Commission should grant the increase and then earmark it, for the purpose of compelling the railroads to spend that money in purchasing equipment, in improving their maintenance, and spend that money in a way that will promote employment.

Now, they say they are willing to do that, but I think the Commission ought to earmark it and compel them to do it. I realize that if the railroads get an increase of 15 percent in tariffs, that the railroad officials would not have much to say about what would be done with it; the bankers will grab it, and that is the thing I want to see avoided.

The CHAIRMAN. That is all, Mr. Whitney.

Mr. WHITNEY. Mr. Chairman, I have some books here on the shorter workday that I would like to leave here.

The CHAIRMAN. Very well.

Mr. PELLEY. May I say this? You gentlemen voted for this pension law, and you have some responsibilities in connection with it, and I did not want Mr. Whitney's statement to go into this record unchallenged.

The CHAIRMAN. I would be very glad if you desire to make a short statement.

Mr. PELLEY. Mr. Whitney gave you an impression that we are better negotiators than the men. We are not. There are none better than they are. This pension agreement is all right. He does not quite agree with it, but it was worked out after most careful study and many, many conferences and the men are satisfied with it generally and we agreed with them, jointly, in asking you to make a law out of it, which you did.

Now, I want to say that I have a letter now from Mr. Harrison who negotiated it, but he does not want any amendments to it, so the only point I want to make is that the men generally, and so far as I know, unanimously, less Mr. Whitney, are entirely satisfied with this pension agreement that they asked you to make into a law, and they now do not want to amend it.

Mr. WHITNEY. Mr. Chairman, I want to file a couple of statements: one is on the reduction of population at certain railroad terminals, and the other is a statement showing the fluctuation in membership of the Brotherhood of Railroad Trainmen, and those reflect the employment and the unemployment that we have been discussing.

(The following statements were filed by Mr. Whitney:)

List of railroad division points which lost population between the years 1920 and 1930

	1930	1920		1930	1920
Illinois:			Louisiana: Minden	5,623	6,105
Pana	5,835	6,122	Missouri:		
Savanna	5,086	5,237	Chaffee	2,902	3,035
Roodhouse	2,621	2,928	Crane	1,030	1,151
Benld	2,980	3,315	Marceline	3,555	3,760
Collinsville	9,235	9,753	Milan	2,002	2,395
Beardstown	6,344	7,111	Monett	4,099	4,022
Cairo	13,532	15,203	Sedalia	2,086	2,144
Iowa:			Montana:		
Boone	11,885	12,451	Three Forks	884	1,071
Centerville	8,147	8,486	Miles City	7,175	7,937
Kansas:			Texas:		
Chanute	10,277	10,286	Canadian	2,068	2,187
Junction City	7,407	7,533	Cleburne	11,539	12,820
Mulvane	1,042	1,239	Denison	13,850	17,065
Neodesha	3,381	3,943	Ennis	7,069	7,224
Parsons	14,903	16,028	Longview	5,036	5,713
Kentucky: Henderson	11,668	12,169	Yoakum	5,656	6,184

Statement of membership, Brotherhood of Railroad Trainmen, Cleveland, 1917 to 1937, inclusive

Year	Average members	Year	Average members
1917	150,906	1934	114,005
1918	170,817	1935	117,900
1919	189,286	1936	129,482
1920	185,837	1937:	
1921	182,101	January	136,751
1922	171,017	February	138,201
1923	174,455	March	140,315
1924	178,379	April	142,038
1925	177,937	May	143,783
1926	180,957	June	145,264
1927	183,951	July	145,803
1928	182,907	August	147,272
1929	185,326	September	147,926
1930	184,666	October	148,174
1931	170,529	November	148,225
1932	139,713	11 months	143,978
1933	112,069		

(Senator Lodge, member of the committee, requested that the following resolution be printed in the record:)

To whom it may concern:

I, Axel E. Zetterman, the duly elected and qualified executive secretary of the Massachusetts State Selectmen's Association, do hereby certify that at the annual meeting of said association, duly called and held at the Gardner Auditorium,

Boston, on Friday and Saturday, January 7 and 8, 1938, upon motion duly made and seconded, the following resolution was unanimously adopted:

"*Be it resolved*, That the Massachusetts Selectmen's Association request the Special Committee on Investigation of Unemployment and Relief Problems to hold public hearings to the end that responsible officials of local governments may have an opportunity to be heard and make their constructive suggestions for the improvement of the existing relief system.

AXEL E. ZETTERMAN.

The CHAIRMAN. There will be nothing further today. We will adjourn until tomorrow morning at 10 o'clock.

(Thereupon, at 12:15 p. m. a recess was taken until 10 a. m., January 13, 1938, at 10 a. m.)

UNEMPLOYMENT AND RELIEF

THURSDAY, JANUARY 13, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes, chairman; Clark; Davis; Lodge; Murray; and Hatch.

Also: Alan Johnston, Esq., counsel for the committee.

The CHAIRMAN. The committee will come to order.

Is Mr. Taft here?

Mr. TAFT. Yes.

STATEMENT OF CHARLES P. TAFT, LAWYER, CINCINNATI, OHIO

The CHAIRMAN. Mr. Taft, I have asked you to appear as representing the National Citizens' Committee of the Community Mobilization for Human Needs. I have called your attention to the purpose of the inquiry, and I would be glad if at this time you would make a general statement of your views with reference to the subject.

Mr. TAFT. Senator, I am also a member, and chairman of the public welfare committee of the City Council of Cincinnati.

The CHAIRMAN. Yes.

Mr. TAFT. And I have been asked by Mr. Johnstone to give some rather more specific information with regard to the Cincinnati vicinity.

The first question I have been asked to testify about is the effect of the industrial recession on unemployment and pay rolls in the Cincinnati area.

According to our unemployment census taken last May—and I might stop to say that every year since 1929 in Cincinnati there has been a census of unemployment taken in connection with the statutory school census, so that we have complete figures as to unemployment, covering the entire period of the depression. It is possible that they may not be absolutely accurate, but at least, they are relatively accurate. The same questions were asked in each succeeding annual census, so that the answers should be relatively correct.

According to that census, taken last May, we had, in Hamilton County, with a population of approximately 600,000, 27,000 totally unemployed, or 10¼ percent of those who were gainfully occupied; I think that is correct in comparison with the later census of 1930; 13,500 were employed part time, which was 5¼ percent. This compares with 1929, when there were 6 percent totally unemployed and

5¼ percent part-time employed. In other words, we have gotten back to a position where the unemployed were about 4 percent more and the part-time the same.

The CHAIRMAN. As compared with what date?

Mr. TAFT. 1929.

The CHAIRMAN. Before you proceed with the statistics, will you tell me what definition of "unemployed" you followed in reaching those figures?

Mr. TAFT. When the enumerator visited a home, the first question asked was, "How many persons in this home are or would be working for wages or salary if work were available?"

The purpose of this question was to secure the number of employees covered by the census. Enumerators were carefully instructed not to list under this question anyone who was unemployed because of age, illness, or physical or mental handicaps.

These enumerators changed very little one year to the next. They were substantially the same persons, who were, therefore, experienced.

The CHAIRMAN. Were the same questions asked for succeeding years?

Mr. TAFT. The same questions were asked for succeeding years, except that in 1935 the census was combined with the efforts of the Federal Census Bureau to check up in the intermediate year.

The CHAIRMAN. Go ahead.

Mr. TAFT. Starting with that figure, which was 27,000 totally unemployed in 1937, the employment indices, which are State and local, indicate that by October 15 the unemployment had increased to 37,000. Between October 15 and November 15, 7,500 more lost their jobs; between November 15 and December 31, 12,000 more lost their jobs, leaving a net estimate of 56,000 persons totally without work. This checks substantially with the Federal census of November 18, 1937.

For reference, the peak of the total unemployment occurred some time in 1933, with over 80,000 wage earners out of a job.

The CHAIRMAN. When you say "totally unemployed" you mean not even employed on a W. P. A. project?

Mr. TAFT. That is correct. Just a second. I would think the Works Progress Administration are included just as they are in Mr. Biggers' census.

The CHAIRMAN. Do you show how many are employed on Works Progress Administration projects?

Mr. TAFT. Yes; that is the next thing I was going to give you.

Senator DAVIS. You did not ascertain as to what industries they were formerly employed in?

Mr. TAFT. No. I was just going to say, for a specific sample of what happened in manufacturing, we have an actual check-up on 24 concerns in the industrial area, which, on October 15, had 4,800 on their pay rolls, and on December 31, 1,500, so that the drop is largely in manufacturing. Retail business held up pretty well, as I understand, although, if newspaper advertising revenue is any indication, that was definitely off in November and December.

The next question asked is our prospective relief situation for 1938. Yesterday there were 8,200 on W. P. A.; last week we had 8,050 on our relief rolls. We have 4,800 more registered for work, most of whom are now applying for relief, and emergency relief, at that.

Perhaps I ought to explain that last May, approximately, the State cut off all relief funds.

The CHAIRMAN. Why?

Mr. TAFT. Well, they said cities didn't need it, and they said they could get no more taxes. The Governor got in a fight with other factions, which happens in other well-regulated States, too——

The CHAIRMAN. And parties, too.

Mr. TAFT. And parties, too; and, although the Government recommended some kind of relief action, none was taken. As a matter of fact, the State has not taken any action yet.

The senate has passed a program and the house has passed a different program, but no action has been taken.

Senator DAVIS. Is the relief administration under the civil service or is it political preference?

Mr. TAFT. I am not very competent to say as to that. The man in charge of relief in Hamilton County is a very efficient man, and W. P. A. is putting on a good works program in Hamilton County at this time.

I said we had 8,050 on our relief rolls.

Senator DAVIS. What percentage of these workers are substandard workers?

Mr. TAFT. I can give you some analysis of that 8,050, as analyzed by the present welfare director. It includes as permanent unemployables 2,800, as temporary unemployables 650, as restricted employables 3,040, and as employables 1,460.

I don't know what his definition of a restricted employable would be.

The analysis made by private agencies would indicate that those who are listed as restricted employables, while their talents are less marketable, and they are unskilled, can be used as laborers. I do not think in any sense they can be classified as unemployable. I don't think they should be.

At this present moment and since October 15 there has been an increase in the case load of the city welfare department which is more rapid than at any time during the depression. That statement is made on the authority of the man in charge of relief in Hamilton County over a large part of this period. The case load at the present time is not as great as it was a year ago. The W. P. A. quota was higher a year ago. The W. P. A. quota has remained about the same as the relief load throughout the period. As to what will develop during the balance of the winter would be a guess at best, but the whole experience will indicate the peak in number of cases will come in February and the peak of expense will come in March. Normal spring employment will begin to have an effect about March 15, but the effect of the recession is impossible to forecast. Our welfare committee of the Cincinnati Council estimates the cost to the community, apart from W. P. A., for 1938, of at least $2,400,000, and possibly as high as $3,000,000. The W. P. A., in my judgment, will not exceed 10,000 actually at work, and its cost will approach $5,000,000.

You have asked me also what the effect of the various titles of the Social Security Act will be on that load.

The CHAIRMAN. Yes.

Mr. TAFT. Unemployment compensation does not go into effect under the present statutory provision until January 1, 1939. There has been an effort to have it advanced. This is only a guess, but I

don't see, myself, how it could begin payments in Ohio before October 1, under any circumstances, and probably not until the date fixed by statute, January 1, 1939. Therefore it will be of no assistance this year.

The other titles of the Social Security Act will not relieve us of any of this burden. So far as aid to the aged is concerned, there are now 18,000 on the waiting list in the State of Ohio, of whom only 40 percent have been investigated and certified to Columbus, and there is no money, there are no funds to pay these, probably because of the generosity of our Governor, who, by fiat, last fall increased the amount of pension to those now getting them.

The CHAIRMAN. What is the amount?

Mr. TAFT. I can't give you that amount. The average has been around $19. It is somewhat higher since the increase.

So far as aid to dependent children is concerned, in December 1936 we had 2,700 children receiving such aid. Today we have only 1,600. The trouble is that the county cannot furnish matching funds unless the voters at a special election on January 25 approve an additional tax. If they do, we shall have the same amount as we had last year, and no more.

The CHAIRMAN. Do they have an election on each such proposal?

Mr. TAFT. Briefly, the tax situation in Ohio, which is of some interest to this committee, probably, is that in 1910 a limitation was adopted which, in its practical effect, amounted to 1½ percent—that is, 15 mills. In 1934 or 1935 the limitation was reduced to 10 mills. Two cities in the State, Akron and Cincinnati, have charter provisions by which they fix their own tax limitations, so what I have said about Cincinnati is therefore not typical of the State, because not only have we our own tax limitation, and that is sufficient to carry the current operations of the city, but under this provision the vote necessary is only a majority, while, in other parts of the State, it is 65 percent.

The county is very seriously hampered, as are the schools, by the 10-mill limitation, so that this vote will give them approximately half a mill, if it goes through, and that will be sufficient to provide funds for children's aid and other statutory relief.

The CHAIRMAN. But the fact is, in the State of Ohio, with the exception of Hamilton County, where elections were held to give the right to levy taxes for purposes of relief, they voted against them?

Mr. TAFT. They voted favorably by a majority, but they were required to have a two-thirds majority.

The CHAIRMAN. The charter of Cincinnati is different?

Mr. TAFT. The charter of Cincinnati is different from the rest of the State.

The CHAIRMAN. It is correct, then, that the people of Ohio, voting in accordance with the rules, voted against providing funds for relief?

Mr. TAFT. That is correct.

The CHAIRMAN. Has there been any reluctance on their part to secure funds from the Federal Government for work relief?

Mr. TAFT. Not at all. In fact, I think they have been encouraged within recent weeks to certify every possible person to W. P. A. in order to create a demand.

The CHAIRMAN. I think on one or two occasions here they said that the situation in Cleveland was among the bad spots in the country. Do you know anything about Cleveland?

Mr. TAFT. Only in a general way. They had two administrations there before Mayor Burton came in, which left him a $13,000,000 floating indebtedness, entirely unauthorized by law. He has done the best he could with that situation, but, with the relief load coming on, my impression is the relief situation is not only disastrous but very critical.

The CHAIRMAN. There is another angle to it. Insofar as W. P. A. is concerned, the director of W. P. A. has been endeavoring to secure as large a contribution as possible from the sponsors. The last time I looked at the figures the contribution on the part of the sponsors in some cities was very small. I judge from your statement that was due to the fact that they did not have the power to raise funds to make the contribution.

Mr. TAFT. That is correct.

The CHAIRMAN. If in your State they followed the same rule to limit their liability to raise funds, the load would become a burden on the Federal Government entirely?

Mr. TAFT. I think the answer is clearly "Yes" to that.

I think this ought to be said, however, in order to give some better background to this tax-limitation situation. The campaign for a reduction in the tax limitation from 15 mills to 10 was based on a plea that it would reduce taxes. In our community it was made clear that 10 mills would not produce enough funds, and there would have to be some sort of a tax, presumably a sales tax. Our county, therefore, voted against it, but it was the only one in the State. The sales tax had to be put in, and the amount of money collected under that, plus the 10 mills, is larger than had been collected formerly. The individuals in the lower brackets, who pay the largest portion of the sales tax, are actually paying more than they were prior to the reduction from 15 mills to 10. The tax limitation reduction was not to increase the load of the Federal Government but to afford a switch of taxation from land to sales.

The CHAIRMAN. I can understand; but when a State or municipality limits its ability to contribute and relief conditions arise as you describe, they can only resort to the Federal Government, and these very people who limited their ability to render help are the very first to ask assistance.

Mr. TAFT. That is correct, unless the Government laid down a rule which was clear, simple, and easily understood, that a State or municipality had to raise a certain amount or receive nothing. In other words, the matching principle. If that was done, I think there is no question that the legislature would reduce the required vote for relief from 65 percent to 55 percent, and then any relief levy would go through.

The CHAIRMAN. That is interesting to me. I wanted you to express an opinion on it.

Mr. TAFT. I wonder if I may complete some of these answers to the direct questions.

Senator DAVIS. Is there much objection to the sales tax in Ohio?

Mr. TAFT. I would say the sales tax, as a direct tax, is one that a person gets used to. He sees slips torn off, and it is added on to his bill, and he doesn't forget it, but he gets used to it. There have been now and then speeches against it, but there has been no effort to

return from that to the 15 percent real-estate tax, as I think should be done.

So far as funds for relief are concerned, the city has $800,000 from a special vote last fall. It may get $500,000 more from other special sources, depending in part on the county vote I have mentioned. The legislature is still struggling over a program, and if we are lucky, we shall get a million dollars from that; $2,350,000 is the most we can see to meet the need between $2,500,000 and $3,000,000. If conditions improve from now on, we will get through, otherwise not.

It is only our good fortune in having a home-rule charter, which fixes our own tax rate and permits a relief vote by a bare majority that makes this possible, but as it is, the rest of the Ohio cities in which all relief levies were defeated are in utter despair and bankruptcy.

In this situation the worst element is the steadily declining standard of care for men, women, and children, which is destroying morale and community character. In our city the relief has come back on the city, which has not had it since 1932, with staff people who have had little experience in it, and the period in which we are getting ourselves straightened out is unquestionably a period of great cruelty and inhumanity to individuals.

Those who are not on relief are so utterly confused and so shaken by the new specter of depression that they are permitting treatment of fellow human beings that can only be described as cruel. They are confused about work and relief. They are told, as this committee was told January 4 by the Deputy Works Progress Administrator, that W. P. A. is now employing all employables who need help. That is not true today, and it never was true, even if you classify those who were on relief by eliminating every case where there is more than one worker in a family, which is the W. P. A. rule. As a rule, around the country the relief load is the same number as the W. P. A. quota, and not over 45 percent of the relief load is unemployable in any proper sense. It is certainly not unemployable just because the W. P. A. has no projects of a kind that can employ it.

Don't mistake me. W. P. A. is a good work program, but it costs just twice as much as it needs to. We had more work in 1935 under a grant-in-aid system at half the cost with just as good a program as W. P. A. has ever had. People don't understand that and neither do they understand the difference between W. P. A. and P. W. A.

So far as I am concerned, I am in favor of a Public Works Program. It employs people when they need employment, but it should have nothing to do with relief.

People don't understand the relationships of the various governments involved. We began in 1931 and 1932 with private relief funds, and then the city began to help. Then came the county and, finally, by aid of the R. F. C., the State and Federal Governments. Then came F. E. R. A., a grant-in-aid, on a dicker basis, with no standard set for the country; then C. W. A., then the F. E. R. A., then W. P. A., with State and local relief. Then the States began to pull out, then the county pulled out, and now the city is trying to carry the load.

The effect of that on the private agencies in which I am greatly interested, the load that comes back on them, the pressure on them to take over the relief program which they were never organized to handle, is running up deficits which they have no prospects of being able to cover, and is placing them in an almost impossible situation.

Their campaigns meet with resistance because of the huge sums spent by Government, and at the same time they are criticized because they have to turn away people they have no funds to care for.

People don't understand at all what kind of qualifications are needed for the workers who investigate and distribute relief, and who direct relief programs. I think the members of this committee, certainly those who have been associated with the private agencies, as I have in the past, know that private agencies have furnished the personnel and the standards of case work and the marvelous human service provided by these workers in the front-line trenches.

But the public does not know, and the social workers are largely to blame themselves. They have not told people what they do and how necessary it is. I think there is a fair line of demarcation which ought to be made clear between family case work in the private agency, which is a specialized personal service, and the interviewing and investigation which is required by the public welfare agency. The public welfare agency cannot do private case work.

However, it must have trained, intelligent people; people who know how to deal with the public. It must have trained interviewers; it must have trained investigators; it must have people who can determine whether a family is eligible for relief, how much relief does it need, and, third, what kind of work can the wage earner do.

Beyond that the public welfare agency in my opinion should not go, except, of course in providing proper health service. But that line of demarcation has not been laid down and the public today, in its irritated confusion, is antisocial worker. That comes from the man on the street, the employer, from everybody.

There are many businessmen who have not come within squares of either public or private welfare agencies who say, "No social workers," or "All reliefers are bums." A good many of these men have answered your questionnaire. They say that all reliefers are bums. That is not true. It never has been. At the time of the depression there was a 10-percent turn-over in relief clients, which means 100 percent in a year. We have not got a soggy mass at the bottom. It has constantly changed. Somebody goes off and somebody else comes on. Reliefers are not bums.

A gentleman from my own city wrote you last week that reliefers do not choose to work. That is not true now and never has been true. There are some. There is a destruction of morale and character which comes about from being on relief; nevertheless to approach the problem from that angle prevents any kind of a solution. It is utterly impossible.

It seems to me that this public confusion comes about through confusion in Federal policy. It certainly is high time that Congress undertook the analysis and definition which it seeks through the work of your committee.

For your consideration I am officially obligated to present to you the program suggested by the Community Mobilization for Human Needs.

The Community Mobilization for Human Needs, as the representative of the local charitable efforts of the people of the United States, is primarily interested in bettering the conditions under which millions of our people are now existing, and in developing the capacity and im-

proving the opportunity of these people to solve their own problems and to lead satisfying lives.

As representatives of agencies that have to pay their bills from limited incomes, it is our duty to insist on the necessity for economical and efficient administration of the whole problem of relief and public welfare. This is especially true as we face the probability of increased unemployment this winter and the possibility of a longer recession. The program herewith submitted is, we believe, the most practicable way to care for human needs in view of all governmental resources which are available. While most economical, this plan still offers the most humane method of meeting any given relief need.

We believe further that our object can be achieved only by the full cooperation of the Federal Government, the States, the local governments, and the private agencies. No one of these partners can withdraw from the field without disaster to many millions of human beings.

The responsibility of Government—Federal, State, and local—is to care adequately for basic human necessities, of course at the same time making every intelligent effort to reduce the weight and extent of the burden.

The total funds of all types of private agencies—including many services in addition to relief—have been and still are an amount less than 5 percent of the total amount required for unemployment relief.

Senator DAVIS. Your statement applies to Cincinnati only?

Mr. TAFT. No, sir; that applies to the United States, which raises approximately 80 million dollars for community-chest agencies each year. What I am saying is that the total burden for relief is at least 20 times that amount, taking expenditure of funds from all sources, the total expenditures for the United States. Of that 80 million, Senator, a very large part has no relation to relief at all. Probably not over one-fourth of it is spent for family welfare agencies, which have some relation to public-welfare work, but whose money is not spent for relief. So what I am trying to point out is when someone says, "Turn it back to private agencies," it is utterly impossible. The money is not there. If you say 50 percent of the people on relief are chiselers, which I don't believe is true, you still leave private funds as only 10 percent of the total amount that is being spent for relief; so the private agencies cannot carry this load.

Even if the private agencies continue to make every effort to increase their income from all sources, and even if they were to devote all their income to relief, they are obviously incapable of assuming an appreciable share of the load. However, they cannot permit any such application of their income as would mean abandoning or weakening the essential programs for which they are responsible in children's work, hospital care, health, recreation, character building, and rebuilding of family life.

Federal funds were withdrawn from direct relief in November 1935 and the Federal Government centered its appropriation in a work program called W. P. A. This program was intended to care for all the employable unemployed, leaving the so-called "unemployables" to State and local responsibility. As a matter of fact, the W. P. A. has never been able to furnish work to all the employable unemployed who were in need, and of the large numbers dismissed from W. P. A. in 1937 a considerable proportion went on relief.

During the course of the last 2 years State and local standards of relief and administration have been lowered in many places until we believe real suffering has resulted. As we approach a winter of increasing unemployment great confusion exists in the public mind about the wisest relief policies.

This committee feels that in submitting these recommendations it must emphasize the paramount importance of the whole matter. The people of this country have recognized the necessity of providing relief for those who need it.

Whatever immediate steps are taken to meet the present situation it must be remembered that the goal of all relief policies should be the establishment and strengthening of individual independence through retraining for employment and the restoration of family self-reliance. This is in line with the fundamental policy of the community mobilization to rebuild human lives.

Assistance to special kinds of need under the Social Security Act is increasingly helpful, but even these measures need supplementing by an adequate direct relief program to make them wholly effective. In time, increased employment opportunities should absorb many now in need of help.

However, this fact must be faced. W. P. A. expenditures, the social security measures, and the increase in employment have built up a feeling of false security on the part of many States and local communities, with the result that public opinion does not recognize the necessity under present conditions for State or local tax levies to help finance relief.

A single unified program to deal with the whole situation is imperatively needed. Such a unification of policy will undoubtedly make possible genuine economy both in local and in Federal administration, without lowering standards of relief.

It is proposed that Federal, State, and local governments shall share in this program. It is suggested that the long established principle of matching State and local appropriations by Federal funds—grants-in-aid, but not necessarily on a 50–50 basis—be made the method through which the Federal Government should make its relief appropriations for the immediate emergency and the next fiscal year. With this principle in mind the following suggestions are made:

Federal appropriations.—The Federal Government should appropriate to the States a sum of money according to a stipulated formula to carry out a general relief program, including work relief. In other words, it is our position that if the Federal Government should make such a grant a certain amount should be earmarked for work programs. The amount appropriated by the Federal Government should be a definite sum available only upon condition that it be matched by the States in prescribed proportions—and there I may say there is a very real problem which your committee will have to consider, the situation where the metropolitan communities have a difficult time in getting from the State administrations proper allocations of those funds to their needs. There might be some legislative provision to help there. I think that is in the minds of the mayors when they oppose somewhat the plan we present here.

Each State should apportion to local communities upon any basis it may decide compatible with relief needs; and the determination of the amount and character of work relief and of those eligible for relief

should be primarily the responsibility of the State and local community. This recommendation is not to be taken as opposing a Federal program for public works on a non-relief basis.

There is, perhaps, in my constituency, some doubt as to Federal public works, but they are taking no position in this recommendation on that subject. I have already stated I am personally in favor of a proper program of public works on a strictly nonrelief basis.

Transients.—The Federal Government should make special grants to States from the general relief fund so that care may be given to interstate transients.

I oppose with all the force at my command the position that has been taken that the transients are the problem of the local community. I happen to know something about that, because one of my associates is the chairman of a local committee that has brought together some 18 private and public agencies who take care of transients. Those who are thrown from one place to another, especially if they cross State lines, are surely ones to whom the Government should give aid. The transient problem can be handled for a relatively small sum and it ought to be handled in a proper manner.

Standards.—I suggest there are many communities where the standards are not adequate, and they may continue to be inadequate, and we believe it is essential that major standards be laid down by the Federal Government, standards of administration and relief within general limitations.

These standards should require within each State and city a unified or at least a coordinated administration, under an adequate and inclusive merit system of appointment, of all public-assistance and general-relief programs to which the Federal Government contributes unds. Such a unification can be realized only gradually, especially furing the present emergency.

If I may give you one specific example, the administration of aid for dependent children: In Ohio that is allocated to the juvenile court. If the person in charge of this program says, "We only have so much money, and therefore we are going to care for only a limited number of people entitled to this care," you may have an average per family of $50 or $60, whereas your average relief allowance might be as low as $26. That is obviously unfair, that there should be one agency which states that it will try to take care of everybody and another agency which says, "We will take care of a few and you can take the rest."

So you do need a unified policy in a community in order that all the money will be spent in the best possible way.

National commission.—We have also made a proposal for the creation of a national commission. That is not done in any sense in criticism of this committee or in the belief that this committee will not arrive at very valuable results in its report, but the fact remains that each Senator on this committee has many interests and, once the report has been prepared, even on a long-term basis, the committee will not be able to continue its study of the matter as it works out. It may, but it seems, to us at least, that a national commission, which would be a permanent commission, should study the effect of any such policy as Congress might adopt. That commission would undoubtedly work with this committee or any committee that might be created in the House of Representatives. It would not be, in any sense, in

competition with them, but as a supplementary aid in bringing about the results they are desirous of accomplishing.

The human values and the expense involved in relief, security, and public welfare programs and the current confusion in the public mind about them urgently require a careful and unbiased investigation and review. Since many of the welfare activities are permanent but require constant revision, a commission of this kind could be of great assistance in drafting a long-term program for the consideration of the legislature and the President.

Such a program, divorced from politics, cannot fail to produce progress toward the result we all earnestly desire, humane and intelligent assistance of those in need, to regain their independence. It is believed that at the same or even a higher level of efficiency the cost would be less rather than more.

A program of this kind will again enlist thousands of public-spirited men and women as advisers for this necessary community service.

CINCINNATI EMPLOYMENT CENTER

I have one other matter on which perhaps the committee might like to hear something, and that is the work of the employment center, or the four-point program of reemployment in Cincinnati.

I think I can give you that briefly, and I will give Mr. Johnstone a brief printed summary of the work of the committee.

May I say, in the first place, there has been a good deal of publicity about this in the course of the last year, an undue amount of publicity. I am referring particularly to the article of my friend, Mr. Stanley High, in the Saturday Evening Post, where he made the statement that the work of this committee reduced the relief case load from 10,000 in May to 5,000 in August.

That was not the reason. The reason this load decreased was because the money stopped. None of us can know what suffering was caused.

This program is now going into operation. It is an intelligent approach to a community's problems. It involves three major relationships; one to the schools, in connection with their vocational education programs. In many cases, because of various types of limitations on the size of classes or number of classes, either skilled mechanics were being turned out in greater numbers than they could be absorbed, or they were not turning out enough. There were some gradual changes in trends of employment here and there which were not being acted on. The vocational-education programs of the cities were not adapted to the needs of the community, so that our committee has set out on a program of research to anticipate, so far as it may be done, the types of skilled employment which will be needed, and to adjust the vocational-education program to those needs.

For instance, committee I has made a study of the number of skilled mechanics in various lines over a period of years in the past and the demand for additional ones, and they have tried to throw that graph forward so they can anticipate what the needs will be in the future.

You cannot do it with exactness, obviously, but you certainly can make it a much more intelligent vocational education program than if you tried nothing.

Committee I, of course, is for the juniors, that is, the young ones coming out of high school.

Committee II has to do more with adults. It is a retraining proposition. Last spring, for instance, we discovered that while we had 26,000 unemployed we had a shortage of skilled workers who could operate power machines in the garment industry and skilled workers who could operate complicated types of business machines in business.

We set up classes, taking people who had some beginning of skills in those two lines and in a period of perhaps 6 weeks we gave them that kind of training which made them immediately eligible for employment, and they got jobs.

Both of these committees are obviously related to schools, and they secure some additional assistance through the old Smith-Hughes law, and the present George-Dean law.

Committee III has to do with decasualizing casual workers. We put on an experiment in a suburban community in Cincinnati for a 3 months' period. We set three skilled workers going from house to house and asking whether or not there were part-time jobs available. We extended that into a door-to-door solicitation of industry, and we found, rather to our surprise, that part-time jobs were available in industry almost as much as in homes. We allocated three or four jobs to a worker till he was employed full time at full wages.

A neighboring industrial community furnished applicants for work of that character. The striking thing was that where we started out to bring about results for the casual workers, we produced in many instances, permanent jobs.

In the case of one industrial plant where they had trained mechanics out to unload coal twice a week, we got a part-time job for two men who were about 55, who could not get new jobs in industry, and those two men have since been put on full time, doing an accumulation of odd jobs around those plants.

An application of the results in percentages to the population of the metropolitan area would have meant, with a 50-percent discount, 6,000 to 7,000 additional persons employed. There are more jobs than that because, in most cases, a person has three or four part-time jobs which altogether give him enough to support a family.

Those three workers cost us $1,200 for that 3-months period. The relief which the people would have cost for whom they got jobs was $4,200. After those jobs had been once secured, all that is needed is one competent person to keep the thing going.

We have now started in another suburban community, and I hope the results will show up as well there. In the end, this will undoubtedly be turned over to the city welfare department because their relief load, 50 to 80 percent of it, is unskilled labor.

Committee No. IV has to do with the so-called unemployables, and that is a problem which is left substantially to the private agencies, the community, to adjust. That effort results in the reference of the individual to the proper kind of statutory relief, to the proper kind of agency, if he needs care, and to the proper kind of training to make him relatively more employable.

Returning to the program of the Community Mobilization, it seems to me the basic characteristic of this program is that it represents a return to the fundamentals of democratic self-government. It gives to the State and the locality the administration of all public assistance. It gives to local government a total sum for all relief purposes, to be spent in an integrated, single-headed program.

The Federal Government furnishes its appropriate share and establishes the standards which give us a united and uniform approach to our national unemployment relief problem. It represents a sound method of local self-government with sufficient integration nationally to insure reasonable standards of human care from ocean to ocean.

The CHAIRMAN. I wanted to ask you a few questions about the specific suggestions that you have made.

Mr. TAFT. Yes, sir.

The CHAIRMAN. Is your proposal that there is to be no Federal Works Program?

Mr. TAFT. Yes.

The CHAIRMAN. You would——

Mr. TAFT. May I say, as I said in my statement, that is not based on the kind of criticism of the Federal Works Program which has been made in the past. I think it is too expensive. I think the communities with experience can do just as good a work program.

The CHAIRMAN. You would allot funds to the States, based on some formula——

Mr. TAFT. Yes, sir.

The CHAIRMAN. To be determined. Have you given thought to what that formula should be?

Mr. TAFT. I think, on the basis of experience, the nearest I could give, would be 70–30, or 75–25. I think that ultimately you should, if it is possible to do so, in setting up the formula—as the load is reduced, I think it should approach 50–50, but that is impossible, obviously, at the start. Only a few States, like Senator Lodge's, have paid any such proportion as 50 percent.

The CHAIRMAN. I do not know where you procured the figures, but the figures as of the last session, showed that Idaho made the largest contribution, and New York State the lowest, with the exception of the District of Columbia; but the Senator from Massachusetts says here at this time that the latest figures—may I ask from where they were secured—the W. P. A.?

Mr. JOHNSTONE. These figures?

Senator LODGE. These were procured by my office.

The CHAIRMAN. From W. P. A? They were procured from the W. P. A., were they?

Senator LODGE. Yes.

The CHAIRMAN. I think the State of Massachusetts, according to this, has a contribution of 18.8.

Senator LODGE. And South Carolina has 26.3?

The CHAIRMAN. It has always been that way.

Mr. TAFT. What you are referring to there, I think—what the Senator is referring to there is W. P. A. figures, which leaves out the question of relief. I am referring to the assumption by the community of its proportion of the total load. I do not intend to be exclusive. I happened to know about Massachusetts. I know there are other States——

Senator LODGE. The richest city in the world, New York, makes the lowest contribution.

The CHAIRMAN. This is true; and I am not saying it because I spent a lot of time discussing that matter, that there is a contention on the part of New York City that there should be taken into consideration with its contribution of one-half of 1 percent to W. P. A., the fact

that it does make very large expenditures for direct relief. Unless you make that statement you become involved in a discussional daze, as I have found out. The average contribution, the last time I inquired of W. P. A., sponsors, was approximately 22 percent, reached within the last 6 months. That is approximately the amount. I do not want to go into that just at this time with you, Mr. Taft, but I want your views as to whether you believe if you allot money to the States and leave to them the decision as to whether it should be spent for work relief or direct relief, and leave to them the decision as to the apportioning of it, that much of that fund would be spent for work relief.

Mr. TAFT. You are asking whether I believe it would be spent for it?

The CHAIRMAN. Yes; because you are proposing that money be allotted to the States based on some formula of matching. I am interested in trying to get your opinion as to whether, when that money is allotted to the State, it will be spent for work relief, to give men jobs, or would be used by them simply for the dole.

Mr. TAFT. Two months ago my guess would have been that it would be spent for direct relief in the homes. My experience in my own community, however, since that time, convinces me that there is a tremendous pressure for work relief, and I am inclined to think that in most communities a substantial proportion—by "substantial" I do not mean probably more than—certainly not more than half would be spent for some type of work program. I have been amazed myself to find the strength of that sentiment.

The CHAIRMAN. I do not always accept the results of polls, but I remember seeing in the Washington Post the Gallup poll, saying that 90 percent of the people favored work relief, as opposed to the dole. You say that in your own community you have found great pressure, and great sentiment in favor of work relief.

Mr. TAFT. Exactly; and I started without any belief that it really was there.

The CHAIRMAN. I think it is.

Mr. TAFT. I am satisfied that it is.

The CHAIRMAN. I am inclined to think, from my conversation with men representing various sections of the country, that that sentiment is general, and not confined to your community.

When we go to construction of work projects by local authorities, what do you think as to the projects that will be constructed? How did the projects constructed by F. E. R. A. in the early days compare with the projects constructed by W. P. A.?

Mr. TAFT. I am really not qualified to testify on that. I have not had direct connection with work programs of any kind. Six months from now I will know more about it, but I do not know now. All I can tell you is that our local community chest officials tell me that the program under the F. E. R. A. was a good work program, and they believe, I think, that the present W. P. A. is a good work program, as far as the projects are concerned, which is what you asked me about.

The CHAIRMAN. Yes. Of course, in the early days there was some criticism of the character of the projects, criticism that has remained, notwithstanding the fact that there is little justification for it, in the end.

Mr. TAFT. I think, generally, it is not justified.

The CHAIRMAN. I agree with you.

Mr. TAFT. The most difficult thing is to find projects for white-collar workers. It is extremely difficult. Some of the things done, while they may have been unwise, perhaps, in one or two instances were, nevertheless, projects in which white-collar workers found it possible to do some intelligent—what they felt was intelligent, constructive work.

The CHAIRMAN. Of course, while you have been speaking generally of the situation in your own county, with which you would, naturally, be more familiar, you have talked of the situation generally, and I wondered if you had made any investigation of the conditions in other sections of the country, as to work projects.

Mr. TAFT. No; I have not.

The CHAIRMAN. You suggest coordination of all welfare activities, if I get your idea?

Mr. TAFT. That is correct.

The CHAIRMAN. Have you made any inquiry as to the amount of money that is spent for direct relief by the State and local authorities?

Mr. TAFT. No. I really am not familiar with those figures as a matter of statistics.

The CHAIRMAN. I was asking, because——

Mr. TAFT. I probably could furnish it to you.

The CHAIRMAN. I think I have them. I will furnish them to you.

Mr. TAFT. All right. I thought you had. That is why I said that I did not know.

The CHAIRMAN. I wanted you to check these suggestions given me, because you made the statement that the total funds of all types of private agencies then were, and still are, an amount less than 5 percent of the total amount required for unemployment relief. I assumed from that that you thought that it was about 5 percent.

Mr. TAFT. Yes. I think it is less than that.

The CHAIRMAN. How much less?

Mr. TAFT. My impression is that it is about 3 percent. I said 5, to be absolutely safe.

The CHAIRMAN. I thought you went rather high, according to your own figures. That is why I asked about direct relief.

Mr. TAFT. I am still being conservative. I will say 2½, if you want me to be exact.

The CHAIRMAN. I was not questioning the accuracy at all. I really wanted your estimate, because when you said 5 I began to do a little figuring here. The best estimate we have of the State and local funds for relief in 1936, other than W. P. A., was between $500,000,000 and $600,000,000. My recollection is about $550,000,000. Then we had sponsors' contributions amounting to $200,000,000. That makes $750,000,000. Then we had, of course, the billion and a half dollars for W. P. A. That runs it up to $2,225,000,000, and that does not take into consideration any of the relief money——

Mr. TAFT. Statutory classifications.

The CHAIRMAN. Does not take into consideration the amount spent through social security for blind and dependent children, and it does not take into consideration the amount spent through the Resettlement Administration for relief in the rural districts. I figured you $80,000,000, if you were only spending $80,000,000 for private agencies—I think your last figure of two and one-half is about right, if you said two and one-half. Your 5 percent made only a billion and a

half dollars, and Government was spending more than two and one-half billion dollars.

Mr. TAFT. However, I think I ought to say this to the Senator, that that $80,000,000 to which I referred as being raised by the community chest, was certainly not over half—I would say one-third to a half of the total funds which they spent. They get money from business features and private endowments. The total amount the private agencies should spend is more and, therefore, a larger percentage.

The CHAIRMAN. You took the figure out——

Mr. TAFT. I took 5 percent in order to be absolutely safe. That is clearly—it is certainly not over that.

The CHAIRMAN. Let me ask you this; for several years after 1932 the community chests found it difficult to raise funds. Wasn't that true, in the country, as a whole?

Mr. TAFT. The peak, I think, was in 1931. It went down to about 85 percent at the worst period of the depression, which was probably, from the standpoint of raising money—there was a lag for us after the bottom was reached so far as business was concerned—I would say 1934; and I had the privilege of trying to do it for Cincinnati in that year, and it was about as tough as they make them.

The CHAIRMAN. What was the experience this last year in raising funds?

Mr. TAFT. They are 3 percent higher than they were the year before.

The CHAIRMAN. There was some evidence of a disposition on the part of people who had formerly contributed of refraining from doing so because of the amount spent by the Government, for awhile. Is that continuing at this time?

Mr. TAFT. It is hard to answer that exactly. The community-chest campaigns have been pounding on what the private agencies do as distinguished from Government, and the fact that the Government does not support the four major categories of the community-chest funds, so that I think, unquestionably, our publicity programs, and our educational programs have had some effect in educating people about that.

The CHAIRMAN. If the Congress should adopt such a plan as allotting funds to the States on any matching basis, don't you think if that should be done, certainly the Congress should provide the percentage of the funds that should be used in work relief?

Mr. TAFT. Yes; I said so before, and I say so again, now.

The CHAIRMAN. I did not know. What would you say as to the percentage?

Mr. TAFT. I think I suggested before from a third to a half. I am not sure. I have not made any study of that. That is a pure shot in the dark. I don't know. I think your committee would have better judgment on the basis of what has actually been spent in the past.

Senator LODGE. Mr. Taft, in your statement you say that the Federal Government should appropriate to the States a sum of money according to a stipulated formula. I presume that is distinguished from the proportion that the States have put in; that stipulated formula is to govern the lump sum total for the country.

Mr. TAFT. No; I am referring to a percentage in the case of the grant to each State. All that we were trying to do there was to avoid the idea that this meant, necessarily, 50–50. When you say "match"

it has that implication. We do not mean that. Although we are not suggesting to your committee, because I think you have a better basis than we have, our idea was around 70–30 or 75–25.

Senator CLARK. It would be your idea that the ratio of contribution, Federal and State, would be uniform throughout the country?

Mr. TAFT. Yes; but I said, also, before you came in, Senator, that I thought that as the relief load went down, there should be something in the formula which should approach a 50–50 split.

Senator CLARK. You would now start out with a uniform 60–40, or 70–30 figure that would be uniform throughout the States?

Mr. TAFT. Yes, sir.

Senator LODGE. What do you think of the possibility of making a lump-sum appropriation for the country on some scientific formula, such as the amount of unemployment revealed by figures of the Employment Service, or something like that? Have you given any consideration to that?

Mr. TAFT. No, sir; I have not, personally.

Senator LODGE. You have not given consideration to the method by which Congress should arrive at the lump-sum total, whether it be a billion dollars or a billion and a half?

Mr. TAFT. No, sir; except I think it must be arrived at on the basis of the experience of the last 7 years, as to what the States which tried to meet their share of the rate, have been able to contribute. It is a rule of thumb by which I arrived at my figures, rather than a scientific approach.

Senator LODGE. I am not talking about the proportions that the States put in. I am talking about the total that the Federal Government puts in.

Mr. TAFT. No, sir; I have not made any effort to approach it from your standpoint.

Senator LODGE. People come here and tell us that a billion is too little. Some say that a billion is too big. Some say that we ought to make it a billion and a half. Do you not feel that there should be some definite yardstick so that we could tell, for example, suppose we estimate that there are so many unemployed, and, therefore, we have to contribute for so many jobs, and assuming it cost $800 a job, we then multiply $800 by whatever number of jobs are needed?

Mr. TAFT. I think the only intelligent way in which I could judge your suggestion would be by attempting to apply it through the last 7 years, and seeing where you came out. I think that could be done. I think you could find it in that way. I should think the W. P. A. administrator here could probably do that for you.

Senator LODGE. Do you not agree that we should not have a hit or miss program and that we ought to get away from hit or miss information, so far as possible?

Mr. TAFT. If that works, I think it would be very desirable to do it that way.

Senator LODGE. Let me ask you about standards. I get the impression from reading paragraph 2 on page 4 that the only standards you think the Federal Government should stipulate are administrative set-ups in the State, under a merit system. Am I right in that, or do you believe that the Federal Government should stipulate other standards governing the nature of the work, the eligibility of persons, the eligibility of projects, and so forth?

Mr. TAFT. I think they should establish additional standards. I do not think they should become too detailed. I think if they attempt to say just exactly what shall be the average family budget they will get into a terrible wrangle, because in doing so you have to take into consideration a great many local matters. I think that kind of thing is probably best left to the States, with some minimum underneath, so they do not get it too low. I think there are other standards which should be included beyond those of the present.

Senator LODGE. The standard, let us say, of requiring that this money should be spent for work relief, and not for the dole?

Mr. TAFT. That is right. I would not say all of the Federal money, however. Some proportion of the total Federal grant should be spent for work relief.

Senator LODGE. The present standards now in the Federal law are, no person under 18; no person an alien, illegally in this country; veterans' preference, and those standards?

Mr. TAFT. I think so.

Senator LODGE. What machinery would you set up, if any, to see to it that these Federal standards are carried out, or don't you think that would be necessary?

Mr. TAFT. It seems to me that this program should be related as closely as possible to that of the other standard Federal grant and aid programs which have been in operation for a long time. I am not familiar with the details of administration in that regard, but I should think you would want just as much assurance that your money is being spent correctly, as in the case of highway grants, through the Agricultural Department.

Senator LODGE. It is my understanding that under the present laws relating to Federal aid in the construction of roads, that the Secretary of Agriculture has practically unlimited discretion. Isn't that your impression, Mr. Chairman? I believe he has a very broad discretion in the determination of whether he will allocate this money or not; and if we are to follow that in this case, it would mean a highly centralized system—which I understand is what we are trying to get away from. To my mind, that is the most difficult part about your whole idea.

Mr. TAFT. I think it is clearly necessary to make as a condition of your grant that these standards, when they are set up, are lived up to.

Senator LODGE. Yes; that is just it.

Mr. TAFT. The question as to the extent of supervision which is necessary to insure that, is a matter that, I am frank to say, I have not had enough experience on in order to be able to tell you about.

The CHAIRMAN. Standards are provided in the Social Security law.

Mr. TAFT. That is right. It seems to me it ought to be possible——

The CHAIRMAN. They have supervision.

Mr. TAFT. I know in the case of old-age assistance, under the Social Security Act, the standards are not sufficient. If they were to be made sufficient I am not enough experienced in it to say how much of a Federal administration you would have to set up in order to insure it.

The CHAIRMAN. We will all agree that it is something new, and I agree with you that the standards are not sufficient. I know of one or two that I would like to suggest. One that we have discussed is some

requirement as to the personnel of the States who enforce it, to have some merit system provided. That is not in the Social Security law as it now stands. That is a matter that could be taken care of, however.

Mr. TAFT. I think I ought to say this, that this program, whether we like it or not, if it is adopted, will mean, probably, that the job for a time, will not be as well done as it is being done now.

Senator LODGE. In the early stages.

Mr. TAFT. In the early stages. I do not see you are going to help it. You are going to have suffering, but in the long run you are going to have it done better.

The CHAIRMAN. That is all, Mr. Taft. We are indebted to you for giving us this time. You have been engaged in investigating another phase of this question.

Mr. TAFT. I am glad that you did not ask me anything about that.

The CHAIRMAN. We did not intend to.

(Witness excused.)

STATEMENT OF LOUIS E. KIRSTEIN, VICE PRESIDENT, WILLIAM FILENE & SON

The CHAIRMAN. Mr. Kirstein, your are connected with William Filene & Son?

Mr. KIRSTEIN. Yes, sir.

The CHAIRMAN. In what capacity are you connected with William Filene & Son?

Mr. KIRSTEIN. I am vice president.

The CHAIRMAN. I wish you would advise us whether you have prepared a statement to read to the committee.

Mr. KIRSTEIN. I have.

The CHAIRMAN. I will be glad to have you read that statement at this time.

Mr. KIRSTEIN (reading):

I am very glad to have this opportunity to appear before this committee, for it certainly has an important task before it. And every citizen is in duty bound to submit whatever information and ideas he may have based on his experience.

The committee asked me to submit any ideas I may have on the effect of the recession on distribution, particularly retail, and consequently upon employment and unemployment. While I am glad to give you whatever judgment I may have on this subject, I am more desirous of stressing the importance of formulating and working out a practical program for unemployment relief, and it is more to the latter point that I wish to direct my remarks.

I am hesitant to elaborate to any extent on the relation of the current recession to distribution and through distribution upon unemployment because, in reality, the whole business structure is interrelated. The retail business will depend upon the state of business as a whole. Retailing can maintain itself and advance only if consumption levels are maintained. The maintenance of consumption levels depends upon whether the wage earners of the country will have fairly steady incomes. Thus, the course of distribution is bound up with the recovery and prosperity of the entire national community.

I am sure that you do not expect me to make an analysis of the factors underlying the present recession and the steps that should be taken to bring about recovery and prosperity. Frankly, after some 45 years of active business experience, I am more convinced than ever that we are dealing with one of the most basic problems of our civilization: that no one really knows what the basic problem is or what the solution may be. Certainly, one of the basic factors in halting the recovery which was so markedly under way from 1933 to the middle of 1937 was the failure of the capital goods industry to expand as it has in previous recovery periods. Now, that may be due in part to the fact that no new large industry emerged as an opportunity for long-time investment such as was presented by the railroads following the depression of the seventies, and the electricity and automobile industry following the depression of the nineties and the 1920's. In this factor neither business nor Government is to blame. It is simply one of the accidents of history.

Indeed, I am somewhat impatient with the attempts made in recent years to blame one group or another. I do not believe that there are any villains either in business or Government who try deliberately to make things worse so as to bring any group to terms. I believe the businessmen are tragically wrong when they try to blame Government officials for the failure of the economic structure to revive. I equally believe that Government officials are tragically wrong when they try to set up certain straw men in the business world as conspiring to bring about prostration so as to compel the elimination of regulatory legislation. There are, of course, individuals who are greedy either for money or for power who do not hesitate in seeking their selfish ends to do things that harm the whole community; But such individuals are, in my opinion, in so small a minority that they have no real effect on the total economic and social structure.

What we really need is a cessation of witch-hunting on the part of business groups as well as on the part of Government officials, a coming together of men from all camps; a spirit of tolerance, goodwill and humility, and a pooling of wisdom to work out some program worthy of trial. Such a program, in my opinion, must be tentative and experimental. No one can be sure that he has a panacea. But such experiments, whether in industry or in government, should be given a fair trial under an atmosphere of tolerance, so that we may know at the end of a given period whether this or that will work.

With tolerance and goodwill we ought to be able to eliminate the hysteria and emotionalism which surrounds so many of our attempts in this country to bring about a restoration of a healthy economic life. There should, of course, for instance, be regulation of the various stock and commodity exchanges, but such regulation should not be at the expense of impeding the flow of capital into new industries. Yet, there has been so much emotionalism about the working of the Security Exchange regulations that few of us are in a position to evaluate what has thus far been done in a calm and judicial manner. Yet, here again, we have had very little time for calm experimentation. Likewise, any tax structure should be such as to bring into the Government Treasury the maximum yield of revenues, but, at the same time, not stifle initiative in developing new industries or enlarging and improving old ones. Yet, who could tell from the dis-

cussions which have taken place during the past 6 months with regard to our present revenue measures just what has been their result?

What I am arguing for, in other words, is for us to assume, in the first place, that the great majority of people in whatever walk of life are anxious to bring about a healthy progressive society. There is no point of assuming that there are villains in charge of any one group; in the second place, to experiment in whatever field may be necessary, whether labor policy, wage policy, taxation, securities regulations, or what not in a calm atmosphere of tolerance; in the third place, that those in charge of administration, whether of public or private enterprise, bear constantly in mind that all units are interrelated and therefore experiments must be thought through not only from the point of view of what may be the immediate effect on the particular aspect, but also what may be the effect on the total economic structure.

Thus, to give one example, a great deal of the policies initiated in the past 2 years, both in public and private business, have had the result of increasing costs and therefore prices at the very time when we all stressed the objective of increasing purchasing power. Obviously, various factors must be kept in balance. Such legislation, or the various so-called fair-trade-practice laws, have tended to increase cost at the very time when we should have sought to stimulate the reduction of cost so that real wages could enjoy a greater purchasing capacity.

I hope you will forgive me for this rather rambling discussion, but I feel so strongly that we must approach the whole problem of fluctuations in business and employment in such a different spirit than we have in the past that I cannot help but take this opportunity to point out what, to me, seem very important considerations.

Insofar as retailing itself is concerned, obviously merchants will watch their inventories with much greater care than they have during the past 2 years. We will see the exercise of a conservatism in forward buying. There will be a new emphasis on "hand-to-mouth" buying. The immediate effect may be to slow down production and therefore employment in manufacturing industries, but perhaps this procedure may not be without its good results. It will make manufacturers more realistic in appraising their prospects for business.

I do not believe, however, that there will be any measurable reduction of employment in retail establishments themselves. For a variety of reasons, retail establishments do not reduce their regular personnel as rapidly or as sharply as do manufacturing concerns. There is a greater measure of personal relationship between management and employees; the pressure of the community is constantly upon management of retail establishments to keep people at work, and, in fact, add new ones to their rolls. Salespeople develop personal relations with customers which are an important asset. Finally, these establishments sell directly to consumers and do not experience the same sharp break in demand as do manufacturers who do not come directly in touch with consumers. Again, a retail establishment is in position to be much more flexible and to change its programs from month to month and week to week, to meet changing conditions much more than is a manufacturer who makes one commodity or group of commodities with heavy capital investments to turn out this commodity.

UNEMPLOYMENT RELIEF PROGRAM

Now, as to what I should like to submit to you with regard to the desirability of continuity in our program of unemployment relief:

Since I am convinced that no one has the solution for the problem of eliminating fluctuations in business and that only as a result of considerable experimentation will we work out methods of control and stabilization, it follows inevitably that we must have a comprehensive and dependable program to relieve those people who, through no fault of their own, are thrown out of work from time to time. It is unthinkable that in the fourth decade of the twentieth century we will let large numbers of our people go hungry because they are deprived of the opportunity of earning a wage. To be sure, unemployment compensation, such as has been enacted in all of our States as a result of the Social Security Act, will take care of large numbers of people for short periods of time. But I do not believe that these measures will provide for the more prolonged types of unemployment such as has taken place during the downswing of the business cycle; or during the downward trend of a whole industry, such as happened in certain textile centers in New England; or for unemployment resulting from the obsolescence of certain industries.

While it is true that, in the long run, inventions and labor-saving devices bring about greater productivity and higher standards of living, nevertheless there is a long period in which large numbers of men are thrown out of work and find it difficult to secure jobs in other industries. Now, for all these reasons, I believe that we must have a program of unemployment relief which will complement the programs we now have for unemployment compensation.

It would be presumptuous on my part to go into the technicalities of the administration of the relief problem in this country. There are others who have had more intimate and detailed experience with it than I have had, as has been demonstrated by Mr. Taft. I have no doubt that they will testify before the committee. I do wish, however, to submit, for what they are worth, some of my own conclusions as the result of rather active association with social agencies over a long period of years.

It seems to me, in the first place, that developments have reached the stage in this country where no one group of agencies can deal adequately with the totality of community needs. Neither the public nor the private agencies can by themselves meet these needs. Neither the Federal, nor the State, nor local city or town units can each by themselves meet these needs. In other words, what we need is a program in which every agency, public or private, Federal or State or local, will play its part without sacrificing any of the values and special contributions which each type of agency can make.

In the second place, while each type of agency must be conserved, I believe the time has come when the Federal Government must play a large and important, if not the leading, role in the financing of unemployment relief. Certainly in such emergencies as we have been going through since 1930, it is just unthinkable and impractical to visualize any sort of adequate program without substantial contributions from the Federal Treasury. Given the dimensions of the problem of unemployment, it is just out of the question for local agencies, whether public or private, to be able to mobilize the resources necessary to extend aid to the unemployed even on a low level of subsistence.

Many factors enter into the difficulty and impossibility of doing this, such as constitutional difficulties under which some States are prohibited from spending money for direct relief; the tax structure under which local governments must depend entirely on realty taxes for their income; the relative inequalities of wealth and resources in various parts of the country, as, for instance, the great disparity in resources between certain States, such States as New York and Massachusetts as compared with Mississippi and Arkansas. Indeed, it so happens that the very areas which are most seriously affected by unemployment, and particularly by cyclical and technological unemployment, are frequently least able to finance their own relief needs at the very moment when the problem is most acute.

Let us not forget, in this connection, that until we are able to work out certain fundamental solutions for eliminating fluctuations in business and therefore unemployment, it is futile to look upon the problem as one simply of an emergency nature. We may as well look at the thing realistically and once and for all face the fact that we are confronted here with a long-time and continuing problem, and that, therefore, we must formulate a long-time program in which the Federal and local units will have each their distinctive part to play.

ALL UNEMPLOYMENT A FEDERAL RESPONSIBILITY

I would emphasize the responsibility of the Federal Government for all the unemployed and not only to a favored portion as the W. P. A. now cares for. I realize that the total responsibility will have to be met within the resources that the Federal Government possesses and it should not be done at an expense that further unbalances the Budget or that is unnecessarily extravagant.

The proportion of funds which should come from the Federal, State, and local governments is one which deserves serious consideration. Equally careful must be the formulation of methods of administration. My own feeling at the moment is that since the Federal Government has the greatest capacity for purposes of raising funds, and since it alone can provide for the national community as a whole and therefore take into consideration the disparity of wealth between one area and another, it will probably have to assume the largest part of the financial burden—say as much as 60 percent of the total cost. The other 40 percent to come from State and local governments. I would not wish, however, to state these figures with any spirit of dogmatism. There are others who will appear here who are more competent to advise you on this matter. Nor do I wish to give detailed advice as to how such a program should be administered. Here, again, I think there are others with more experience whose conclusions are worth more than mine.

I should like to raise the question, however, whether the Federal Government has been wise in two aspects of the program which it has carried on thus far in this administration. It seems to me, in the first place, that the conduct of the program has been centralized too much in the hands of Washington authorities. Some way ought to be worked out to give a greater share of participation to authorities, both State and local, at the same time, of course, safeguarding basic standards of efficiency.

WORK-RELIEF PROGRAM

I do seriously question, in the second place, whether the Federal program has been wise in limiting its assistance of the unemployed to work relief. Obviously, work relief should be part of any total program of unemployment relief, but I do not believe that it is practical or desirable to confine the whole program to work relief. There are people in every community who need and deserve assistance, but for many reasons cannot fit into the work projects available in those communities. Moreover, I am inclined to question whether it is possible to achieve any degree of efficiency in such a large and varied program of work relief as has been carried on during the past 2 years.

As a businessman who has had something to do with administration, I know the difficulties of formulating worth-while projects, the difficulty of recruiting efficient personnel, the dearth of trained supervisory personnel, and so on, and I may say the difficulty is just as great in private business as in Government undertakings. I hold no brief for the people who think that everything in a private undertaking is excellent and efficient and everything in a Government organization is inefficient. Of course, once in a while we do get the sort of supercompetent person like Robert Moses, of New York, who has been able to accomplish wonders with work-relief projects in the recreational and park system of that city. But I must confess that men of his caliber are rather rare indeed, again in private as in public business, and we cannot build a program around the expectancy of getting men of his type to run them everywhere. I believe, therefore, that there should be greater flexibility in the expenditure of Federal funds and that more leeway should be given to local authorities to decide as to how much of the Federal funds available shall go into work relief or direct relief.

There is another direction, too, in which it seems as if some relaxation of regulation would be desirable. There has been a good deal of complaint from people who were told that they were ineligible for work relief because the requirement for the particular projects for which they were applying was that they should have been actually on relief rolls. This has been a source of great discouragement to the person who has made every effort to keep off local relief rolls only to find at last that his conscientious attempt to avoid asking for charity actually works against the acceptance of his application for work relief. If we are to avoid weakening the backbone of our people and avoid the undesirable implications of anything like a dole, we should be careful to keep out of all relief administrations any regulations which would seem to put a penalty on self-help or family help.

In short, in this area of relief, as well as in the whole program for recovery, let us not try in the early stages of a program to develop rigid methods with too definite rules of administration. By maintaining a flexible program we shall be in much better position to work out various experiments and thus, finally, to learn that which may work best in the long run for the whole national community.

I have a chart which gives a graphic picture of the 1937 retail business in several Federal Reserve districts as it related to 1936 business. You will note that, for the districts chosen, the biggest improvement over 1936 came in March, except that in the Cleveland district, which includes Detroit, it continued until April. From then until

now, except for one district for 1 month, all the ratios have been declining. Cleveland, Chicago, and San Francisco, which were at the top, have come down furtherest, the big break being between March and June. All this time New York and Boston were showing less gain.

Whatever inconsistencies there were, all districts alike took a drop in October big enough to make a considerable change in their cumulative showing for the year. However, of the six districts, only Chicago and Cleveland continued to drop in November—doubt that the December picture will change the situation very much.

It is to be noted that these declines in sales are not very great, particularly in the last 2 months. The figure used indicates only increase over last year and you will notice that the poorest, Boston, is still 3 percent ahead for the year, New York 5 percent, Chicago 10 percent, and Cleveland 13 percent, at the beginning of December.

We do not get any impression from our application lines that people who have had employment during this year are losing out. Whether the registration for unemployment compensation which is now going on indicates great need we have no idea, because there are no figures with which to compare the numbers who are now idle. As for retail employment itself, we do not believe there is any substantial difference between the number of people required over a period of about 2 years, but still good operation will call for fewer people than under the code in 1935.

If, therefore, we recognize the very considerable annual growth of the working population, we must assume that unless manufacturing can be maintained at a high level and building operations can be resumed, these last two groups will continue to throw people on to the wage market, as they have been doing.

The effect on retail employment of minor fluctuations in general business are not very important, but the effect on retail sales may be very great if the total community purchasing power is long impaired. It seems inevitable that practically all relief agencies that have been operating during the last few years will have to continue to function for some time to come. Whether unemployment relief will be spread out too thin to help purchasing power noticeably is still to be learned.

Average workweeks in many, many occupations have been so reduced that it is probable that a reduction to a straight 40-hour week would do little toward offering employment to what we call the new people who join the wage-earning group every year.

The CHAIRMAN. Mr. Kirstein, I call your attention to the paragraph at the bottom of page 4—page 1073 of record—of your statement. This year Congress appropriated one and one-half billion dollars for W. P. A., and we have a deficit for the entire Budget of certainly 1 billion dollars. You say we ought to spend more money for W. P. A., but that we should not further unbalance the Budget. How would you do that?

Mr. KIRSTEIN. I suppose the only way it could be done is through taxation.

The CHAIRMAN. Would you give us any suggestion as to how we could get more taxes today; get more revenue by taxes?

Mr. KIRSTEIN. Mr. Chairman, I do not like taxes. I do not like any kind of taxes. I have never found anyone who does. Also, I

have never found anyone who can tell you how to run a government—National, State, or local—without taxes. What I am contending for is I do not believe people will starve, whether the Budget is balanced or unbalanced, or whether or not we have to raise more taxes. I think it has been demonstrated here, not so much here, but demonstrated in other countries, and in history, that people will not starve, and if they cannot get food, clothing, and shelter they usually take it.

The CHAIRMAN. That is what I want your views on. You would prefer to raise additional revenue by some taxation, some form of taxation, rather than to further unbalance the Budget?

Mr. KIRSTEIN. Mr. Chairman. I am not expert enough to know about that. I should like, and I would like to repeat that I think the first problem of the Government is to take care of people, and not allow people to starve.

The CHAIRMAN. We will all agree on that; but our job, of course, is to find how to do that, and when you suggested in your statement——

Mr. KIRSTEIN. As I said before, I do not know any other way, if what you say is so, and I assume it is, that this money cannot be raised in any other way out of the present Budget. If business gets better it stands to reason—if this so-called recession is only temporary, and business gets better, I assume that the burden will not be anything like so heavy as it has been in the past. That is the hope that we all have. I do not see any reason why there should be a long depression.

The CHAIRMAN. But the statement you made is the problem that confronts us, when you said that it should not be done at the expense of a further unbalancing of the Budget. You must do one of two things—you must either levy additional taxes or borrow money.

Mr. KIRSTEIN. I am not so certain about that. I am not an expert, however. I do not know that my opinion on that is worth much. My point is, or what I meant by that was, and I do not know—I would not presume to tell you gentlemen about the Budget, but it seems to me that with the tremendous expenditure of something like 7 billion, if that is the amount——

The CHAIRMAN. Yes.

Mr. KIRSTEIN. That there might be a substantial sum saved in other places to take care of this present need at this time; something else may not be as necessary as this.

The CHAIRMAN. Our difficulty is to find these other places. Have you any idea as to what other place you can reduce it?

Mr. KIRSTEIN. I have no idea where it could be found. I do not know enough of the details to know.

The CHAIRMAN. You would not reduce national defense?

Mr. KIRSTEIN. No; I should not think so at this time.

The CHAIRMAN. And the interest on public debt is 1 billion.

Mr. KIRSTEIN. I do not see how you can avoid that.

The CHAIRMAN. You have to pay the interest. There is a billion and a half for relief; $750,000,000 for veterans. I was simply suggesting that, although we might agree with you, our difficulty is to find out where to get the money.

Mr. KIRSTEIN. I thoroughly appreciate that if you had the solution you would not be holding these hearings, and there would not be any necessity for them.

The CHAIRMAN. That is exactly right. I have just one or two questions I want to ask about your supplemental statement. Insofar as your business is concerned, how does the volume of sales compare, December 1937, with December 1936?

Mr. KIRSTEIN. All the figures are not in, but I should say that it varies some in various sections of the country. It was not as good as was hoped for in the summer when plans were made, and it was not as bad as we thought that it was going to be later on. It was not very much different from last year. I think it is a trifle under. It depends on the section of the country. I think Boston, and Massachusetts, in the first Federal district, are something like 2 percent or 3 percent under. I think New York is a little bit more. There are other sections of the country——

The CHAIRMAN. As a whole, it was not much different from 1936?

Mr. KIRSTEIN. Not much.

The CHAIRMAN. 1936 was a good December, was it not?

Mr. KIRSTEIN. Much better than 1935

The CHAIRMAN. And better than 1934?

Mr. KIRSTEIN. Yes, sir.

The CHAIRMAN. Better than 1933?

Mr. KIRSTEIN. Yes, indeed.

The CHAIRMAN. Much better than 1932?

Mr. KIRSTEIN. You better stop there, Mr. Chairman.

The CHAIRMAN. I stop there. Therefore, 1936 was a good year, and 1937, that we hear so much pessimistic talk about, was as good as 1936, in the retail business of yours?

Mr. KIRSTEIN. Please say that again.

The CHAIRMAN. 1937 was as good as 1936.

Mr. KIRSTEIN. You are talking about for the month of December?

The CHAIRMAN. Yes; in your business.

Mr. KIRSTEIN. In our own business?

The CHAIRMAN. Yes.

Mr. KIRSTEIN. In our own business we were a fraction ahead of last year.

The CHAIRMAN. A fraction ahead of 1936?

Mr. KIRSTEIN. Yes; something around 1 percent, but it is not fair to take one concern in one place.

The CHAIRMAN. I like to take a good concern.

Mr. KIRSTEIN. Well——

The CHAIRMAN. Did I? I know that your modesty would keep you from agreeing with me.

Mr. KIRSTEIN. Yes.

Senator CLARK. Is it really, then, a failure to make the expected improvement in the month of December 1937, as against 1936, rather than any actual falling off?

Mr. KIRSTEIN. Yes, sir. But let us not make a mistake about the volume of sales alone.

Senator CLARK. I understand that.

Mr. KIRSTEIN. You understand that an establishment like ours, Senator, has to take in more than it pays out if it is going to last very long. Even though we do have the same volume of sales that we had in 1936, our expenses have risen very much, due to taxes, for instance the security taxes, and all kinds of taxes, city taxes, realty taxes, State taxes, and increase of wages, and shorter hours.

The CHAIRMAN. Has there been any change in prices?

Mr. KIRSTEIN. Any change in what?

The CHAIRMAN. In the price of goods in the last few months?

Mr. KIRSTEIN. Yes; surely.

The CHAIRMAN. What change has there been?

Mr. KIRSTEIN. I tried to point out here, and it was in General Wood's testimony the other day, the General stated, I thought very well indeed, that, naturally, when prices are going up everybody wants to get in, and they want to buy. Then, just as soon as recession comes, and the goods do not sell, then you are hooked. You have a lot of merchandise on hand that you want to get rid of, and you get panicky and, therefore, you do not buy any more.

The CHAIRMAN. How about inventories on shelves today?

Mr. KIRSTEIN. They are coming down today so that they are about what they were a year ago, I think. That is why I say, it seems to me, that the need for the public utilities increasing their facilities, and the railroads, and the housing program, and the rest of that—it would seem to me that there ought to be some method, and I think you, yourself, suggested to General Wood, or asked him whether he did not think if labor and capital and the Government could sit down together and really work out a plan, instead of calling each other names, we might get somewhere.

The CHAIRMAN. Do you agree with that?

Mr. KIRSTEIN. I certainly do agree to that. I think it is the best suggestion I have heard in a long while. I think if they got their feet under the table and found out what their problems were, instead of calling each other names, we might get somewhere.

I do not want to keep you any longer than necessary, but I just want to say this, this increased expense comes, as I say, from a number of things. I am not questioning now the advisability of shorter hours. I do not know. I certainly think that we ought to pay as high wages as we can. There is no doubt about that, but it has to come from somewhere. I suppose a man cannot help being selfish. That is the way we are born. However, in the retail industry, and we know about our own things better than we do about others, when you talk about having a uniform set of hours for all industries, I would like to point out the differences. The retail industries have not made the technical progress in distribution that has been made in many other lines. It cannot be done. We cannot sell by machine. We have to have human beings. We cannot have vending machines, because people like to put their fingers on things they buy, especially women, who want to know the kind of stockings they get. We have tried it.

Let me take one instance—the shoe industry. There is a factory in this country that can turn out 75,000 pairs of shoes a day. I do not know how many hours a week would be necessary to supply the demand for shoes in this country, but I would like to call your attention to the fact that those 75,000 pairs of shoes, sooner or later, have to be fitted to somebody's feet, one pair at a time, by human beings, and if they are going to do that on a 40-hour week and raise wages, it stands to reason, again, that the price of those shoes has to go up, because you cannot claw it out of the air. You have got to take in more than you pay out, and if the price of shoes goes up, and keeps on going up, then this concern making 75,000 pairs of shoes today will not

be able to continue to make them, probably, because they will not have the demand for them. I think it is that type of thing that is not understood by the Government and that might be shown to the labor people, who would be intelligent enough to understand it; and, certainly, the Government. There, again, I think such a suggestion as yours would be very helpful indeed.

Senator DAVIS. Are you of the opinion that we are now in a period of hand-to-mouth buying, that is, just buying and selling?

Mr. KIRSTEIN. In consumers' goods I should say as far as we can be, we are.

Senator DAVIS. What percentage of your sales is of imported goods?

Mr. KIRSTEIN. Imported?

Senator DAVIS. Yes.

Mr. KIRSTEIN. Somewhere between 2 percent and 5 percent.

Senator DAVIS. Two percent and 5 percent?

Mr. KIRSTEIN. Yes. With the activities going around in some places it may be less than that. I do not know whether that is altogether due to the foreign situation or not.

Senator LODGE. Mr. Kirstein, do you think this is a regular, full-dress depression, or do you look for better times in the spring?

Mr. KIRSTEIN. It does not look to me like one. I have seen a number now, and this does not look like a real hope-to-God one.

Senator LODGE. That is good.

Mr. KIRSTEIN. Providing, as I said before, the people use sense and get together.

Senator DAVIS. Do you know of any divisions of the Government that we ought to discontinue appropriating money to.

Mr. KIRSTEIN. I should be surprised, Senator, if, out of the 7 billion Budget some money could not be saved. We save money out of a much smaller Budget when we are forced to, when we have to get down to brass tacks and take in more than we pay out.

The CHAIRMAN. The President would like to receive any suggestions from you along that line, as well as the Congress. If, hereafter, you can think of any place that you can save money out of that 7 billion dollars, will you let us hear from you? That is, if you cannot think of any place now?

Mr. KIRSTEIN. If I could do that I would be in such demand that I really would not know what to do.

The CHAIRMAN. I think they might insist upon sending you to the Senate or to the House.

Mr. KIRSTEIN. I do not think I would be much good for that.

(Witness excused.)

The CHAIRMAN. The committee will take a recess until 2 o'clock.

(At 12 o'clock noon a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2 p. m., pursuant to the taking of the recess.)

STATEMENT OF WILLIAM J. KELLY, PRESIDENT OF THE MACHINERY AND ALLIED PRODUCTS INSTITUTE

The CHAIRMAN. Mr. Kelly, you are the president of the Machinery and Allied Products Institute?

Mr. KELLY. Yes, sir.

The CHAIRMAN. I wish you would make to the committee a statement with reference to the questions of which you have been advised and in which the committee is interested.

Mr. KELLY. May I read this statement, Mr. Chairman?

The CHAIRMAN. Yes; do so.

Mr. KELLY. In order to save the time of the committee and to insure myself against unnecessarily duplicating in detail here, I quickly reviewed the testimony of a few of the early witnesses who have preceded me before you. I observe that General Wood, an eminently qualified manager in the consumption-goods industries, is in agreement with most of the rest of us that unemployment exists principally in the capital and durable-goods industries and the avenues of employment dependent upon them. General Wood told you,

> The resumption of production of consumer goods alone, while it will help unemployment, will not of itself carry the country. There must be some movement in capital goods.

This week Colonel Ayres and Mr. du Pont have been here and their testimony undoubtedly has confirmed the testimony in this respect of General Wood. Chairman Eccles of the Federal Reserve Board and Mr. William Green have also appeared and placed great emphasis upon the unemployment existing in the housing segment of the durable-goods industries. Here, then, it seems to me, we finally have spokesmen for Government and for the consumption-goods industries, a leading economist, a labor leader, and a spokesman for the durable-goods industries in agreement on this fundamental fact.

Therefore, while up to the beginning of this recession we made progress—but by no means satisfactory progress—in solving the unemployment problem, we have now fortunately reached the point in our analysis of the whole broad question of unemployment where leaders outside the durable-goods lines agree with the representatives of the durable-goods industries, for whom I speak today, as to the existing pools of unemployment. Unemployment has been concentrated largely in the durable-goods industries since 1930; it is there now and is mounting rapidly, and the leaders in other fields recognize that sustained prosperity cannot come to their industries and to the country as a whole until sustained recovery is achieved in durable goods. Those of you who were engaged in studying unemployment in 1933 will recall the wide divergence of viewpoint on this question existing at that time and will readily admit that in reaching this agreement, at least we have made remarkable progress.

I take it, therefore, that it is fair for me to assume no essential difference of opinion on the fact that we have unemployment which is growing by leaps and bounds and that the primary trouble continues to be in the durable-goods fields.

Later I will have more to say of the history and extent of unemployment in durable goods generally but now I should like to furnish the committee with information, secured especially for its purposes, on what has been happening to business in the machinery industries

in 1937, what occurred in the last quarter of the year just closed, and what early 1938 promises.

Companies in the machinery and allied products industry entered 1937 with the largest backlog of orders that had been on their books at the opening of any year in some time.

New business added in the first quarter of the year was substantial. The second quarter new business was also comparatively large, being only a half of one percent under bookings in the first quarter. The third quarter brought a decline in new orders, the bookings falling 16½ percent below those of each of the first two quarters. New business in the fourth quarter fell sharply as compared with the third quarter, and precipitously as compared with the first two quarters. The fourth-quarter decline compared to the third quarter was 30 percent. Its drop under the first or second quarters was 47 percent. As the fourth quarter moved to its close, the business from month to month became increasingly scarce. New orders in December registered the lowest point. Thus far, in January, this condition has not corrected itself.

Further, the foreign business received in certain machinery lines—machine-tool builders are a notable example—comprised a substantial part of all new business booked in the latter half of the year. In November 1937, as a chart I have for you will show, foreign orders among machine-tool builders amounted to practically one-half, 49½ percent, of the total new business of that industry.

In response to our request manufacturers have estimated what they expect their new business during the first half of 1938 will be. The composite opinion is that it will be approximately 41 percent of the first half of 1937. This is a drop of 17 percent under the last half of 1937.

Employment in December had declined 20 percent below the 1937 peak month. On the basis of new-business expectations for the first half of 1938, machinery employers estimate that their employment will have to be 14½ percent below December. This will mean a total drop from the 1937 high of 34½ percent.

The history of billings in 1937 was this:

In the second quarter they increased 19.65 percent over the first quarter. The third quarter made a further gain of 0.6 percent over the second quarter, or a total of 20¼ percent over the first quarter. Fourth-quarter billings were 15½ percent less than third-quarter billings, or about 1½ percent more than first-quarter billings.

During the first half of 1938 it is estimated that billings will be about 23½ percent under the first half of 1937. This will make them within three quarters of one percent of being the same in amount as the total billings during the last half of 1937.

These are not times to view with alarm merely for the purpose of giving vent to blue feelings. Rather, these are times when courage should be fostered and fortitude stimulated, but they are times, nevertheless, that also make candor an absolute necessity of good citizenship, however bitter the news may be for all of us.

And the full truth of the matter is, as our survey indicates, that hundreds of thousands of workers in this country are being pulled through the winter months by business backlog alone, that new orders are not now being received to provide needed work beyond early summer, and that future orders in many durable goods lines do not

seem to be in prospect. Unless steps are taken to effect a vital change quickly, therefore, disappointment that is unnecessary awaits thousands more of our families and the Nation faces failure in discharging its obligation to these of our countrymen.

I am confident we can agree that in order to alleviate the seriousness of this prospect and, if possible, to eliminate in whole the dreary outlook, a sound cure, if at hand, should be applied. To establish whether or not there is a cure that can be effective, I invite the committee to consider these facts, for I am optimistic there is a cure.

The durable-goods industries survive in business through long-range plans, plans which are not limited to months or to short pulls, as is possible in some of the great industries of the country, but plans which must be made in advance to cover years. So that you will appreciate why this is true and why it is so important, let me remind you as to what durable goods include. By durable goods we mean that very large aggregate of goods used by the country which are not destroyed upon initial use but only by wear and obsolescence. They include goods for personal use such as houses, house furnishing, and automobiles; public property and capital goods made up of the nation's facilities for production, transportation, communications and commerce. They are bought largely with credit and paid for by savings of corporations and individuals invested in them directly or in corporate securities representing them.

Now, as a prerequisite to long-term plans for durable-goods purchases, there are three essentials. Each is an absolute necessity to sustained recovery of the durable-goods industries and from there to renewed prosperity in the Nation. When these essentials are assured, revival will be seen in the durable-goods industries with extensive reemployment where heavy unemployment now exists. Until then these industries will continue to be depressed, with employment at a minimum.

The first of these essentials is confidence; that is, such a belief in the continuance of conditions favorable to the successful outcome of long-range plans as to encourage and stimulate initiative and the hazarding of capital and credit.

The second essential is an open and free-flowing capital market.

The third is equitable and reasonable taxation.

I. CONFIDENCE

So that we may understand each other on what I mean by confidence or its absence, please permit me to add this:

We must have confidence in a favorable long-range view on the part of the man who owns or operates an enterprise, and confidence on the part of the individual investor who ventures forth with the savings with which business is maintained and expanded.

There is nothing about price-fixing that inspires confidence. What the American people want is stiffer competition and lower prices. Government in recent years and until lately has thrown its influence behind the rising and the pegging of prices. There is nothing about a sit-down strike that inspires confidence on the part of the employer or the investing public, either in the men who sit, or in the labor organization which approves their sitting, or in the law-enforcing officials who permitted and may again permit them to sit undisturbed.

I need not remind you further of the costly sitting that was starting last spring.

There is nothing about the public statements of certain conspicuous spokesmen for the administration during the last 2 or 3 weeks that would inspire confidence. There is nothing in governmental anti-saving policies—such as the undistributed earnings surtax and suppression of the capital markets—that inspires confidence.

There is nothing in Federal regulation of wages and hours, such as offered by the Black-Connery fair labor standards bill, that inspires confidence.

There is nothing in the frequently advocated philosophy of national economic planning, with its essential coercion of free enterprise by Government, which inspires confidence on the part of the operator to seek or the investor to provide capital for new or expanding enterprise.

An operator in the durable goods industries, forced by the nature of his business to make long-range plans, must weigh these conflicting and discouraging factors. A little fellow with a thousand dollars of venture funds, to be prudent about investing that money, wisely takes into consideration not only the factors that I have enumerated, but many more.

This investor thinks of Federal legislation of the type of N. R. A. in 1934 which suspended the antitrust laws, and A. A. A. the Robinson-Patman Antiprice Discrimination Act of 1936, the Guffey Coal Acts of 1935 and 1937, and the Miller-Tydings Resale Price Maintenance Act of 1937, as well as the National Labor Relations Act, the proposed wage-and-hour legislation and the Federal licensing bill now before the Congress. He reasons that such legislation is contrary to the needed emphasis upon competitive prices and freedom of enterprise, which provide larger production of goods at lower prices and in consequence increased employment and better living, together with greater social security and assured return on his investment. He asks himself, "Where are we going?"

He knows it is not the prerogative of Government to liquidate competition and choke initiative. He knows that it is not the privilege of Government to add to monopoly and fixation of economy. He knows that free competitive enterprise cannot endure in an atmosphere of national economic planning. He knows that once the Government embarks on partial control, it must inevitably proceed to full control. He knows that no instruction has been voted to Government by the people to take any step toward the abandonment of free competition or of any other fundamental in our democratic system. But he is wondering what about it all.

The fact that capital is not flowing through investment channels shows that this investor—deliberately or subconsciously—is giving due weight to these important factors. Consequently he is not investing his savings, nor incurring debt. He concludes he cannot risk his capital unless and until he is sure that the Government really intends to foster private enterprise, that Government will not interfere or compete with the legitimate operation of private enterprise, that it will not impose unhealthy tax restrictions, that it will insist that labor be fairly treated but resist any demands made by labor or any other group which throws the economic machine out of balance.

This investor and millions like him are reasonable and congenial and firm. They expect their governmental officials to be likewise. Unless and until they feel Government is so inclined, not only presently but will so continue to the end of their investments, they apparently will keep their capital out of the channels of long-term finance. And in consequence the durable-goods business will be run in low gear.

Moreover, I am conscious, as I am sure you are, that we cannot throw mud into a crowd without spattering the crowd, and worse, more often than not, without having the largest piece strike the one for whom it was not even in part intended. If there is a culprit in the crowd, fairness demands he be named, tried, and, if convicted, ostracized. Mere justice rules the crowd itself shall be permitted peace. Until this elementary fact is recognized, business treated accordingly, and free enterprise cordially and consistently supported by Government, confidence cannot be securely welded. Until then, investors will continue hesitant, confidence will not be won, and investment funds will not be freed.

2. ACTIVE CAPITAL MARKETS

An open and free-flowing capital market is an essential to all business, but absolutely so as to the machinery, capital goods and related lines of business. Because of their reliance upon long-range plans and long-term credit it is of transcendent importance to durable-goods lines in comparison with the consumption-goods industries. The advent of this recession appears to me to emphasize that the zeal for prevention and reform has befogged the emphasis which must be placed by all of us on the need for this free-flowing capital market. Without this full recognition of the immense importance to the employment of our people which such a capital market bears and the consequent needed corrections, these capital goods and related industries will continue in low gear. Uncertainty on the part of the investing public as to the safety, marketability, and yield of their investments will continue; capital markets will remain stagnant.

An open and free-flowing capital market parallels in importance the prerequisite of confidence, although normally confidence would be the only prerequisite to its enjoyment. Within recent years, however, there has been advanced an underlying philosophy which, whether intentional or unintentional, diametrically opposes the processes of saving and investment which are the very processes that throughout American industrial history have nurtured and raised the standard of living of the American people.

One outstanding evidence of antisaving policy as a reform measure is the undistributed-earnings tax, which accepts the philosophy that savings, particularly business savings of corporations, on the one hand do not contribute to purchasing power and, on the other hand, do result in unsound speculation. In combination with the undistributed-earnings tax and also playing a large part in retarding the flow of funds into business and industry is the capital-gains-and-losses tax. The disallowance to taxpayers of the offset of capital losses against capital gains and the prohibition of the application of capital losses sustained in a given year to the capital gains of succeeding years have played a large part in discouraging investment and trading in industrial issues and consequently in bringing about the current

"thin" market with its lack of liquidity and widespread fluctuations. These two tax measures I will refer to again a little later.

Meanwhile let me take up the factors other than tax measures which are interfering with the free flow of investment funds.

First I should like to call your attention to the wide divergence of treatment with which Federal measures expand and encourage the use of credit in fields outside of industry as compared to the conditions imposed upon the industrial-capital markets. Reason and judgment do not support the requirement of margins against securities which amounted to as much as 122 percent of available loans, nor do they now support as high a margin as the present 82 percent. Contrast this margin, if you will, with real estate and housing loans where the required margin has been as low as 20 percent. It is now proposed to decrease this, in the case of home loans, to 10 percent.

Federal loaning policies in agriculture both as to land and commodities have been extremely liberal. In competition for the investors' money the high and inflexible margin requirements against security loans constitute a severe discrimination against an open and free-flowing market for the securities of private enterprises.

Second. Attempts in regulations and restrictions to draw a clear line of demarcation between the investor and the speculator are unwise. Whether we may be able to find tangible substantiating evidence or not, we may be sure that the tendency so to differentiate between those who participate in the securities markets has at least one detrimental result. This is a definite trend to make more and more popular and liquid the securities of the very large and exceedingly well-established companies and to make it increasingly simple for companies such as these to procure new financing on favorable terms when capital is flowing at all. At the same time this trend militates against the younger companies. It imposes upon the old but less well-established companies. These companies possess a lesser degree of popularity and therefore their securities are subjected to decreased marketability and increasing difficulty in procuring new financing. Bigness in business, and perchance monopoly, thereby is increased. Equally important, these conditions tend to deny opportunity to the marginal industries, the marginal businesses, which are today in embryo but tomorrow must be the new and growing business which will supply our citizen with an ever-increasing number of jobs and higher standards of living.

Government in recent years has placed too much emphasis upon the protection of the investor from losses incident to investment in the securities of business. So much so in fact that it has appeared to lose sight of the importance of the employment created by new capital investment. It has so hedged about the issuance and marketing of corporate securities as substantially to reduce their volume with the consequent reduction in employment. The safeguarding of investment is important but so is the creation of jobs. Both can be accomplished within reason if approached from the point of view of stimulating our economy to the maximum of enterprise rather than restricting it to the minimum.

Like everyone else who has even a superficial knowledge of the twenties, I am acquainted with a few of the abuses that were imposed upon the economic system in that period. Better than in any other speech of the time, it seems to me, they were properly and effectively

magnified for public attention by one of the best-loved and greatest business leaders in recent Chicago history, a sterling citizen and outstanding Democrat whom you all remember. The late Melvin A. Traylor, then and until his death president of the First National Bank of Chicago, in a courageous address before a convention held in this city of Washington about 1930, described some of the practices among brokers as being nothing more nor less than "crap shooting," as he baldly called it. Mr. Traylor made a fervent plea on this occasion that such conditions be eliminated from the financial markets. They have been eliminated. But their elimination has swung the pendulum from the unreasonable moral evils which disturbed Mel Traylor to rigid restrictions, some of which likewise are evil—at least economically, for they are so unnecessarily severe. It strikes me that somewhere between the evils Mr. Traylor attacked so indignantly and the reforms strait jacketing us now so rigidly lies the solution for reopening the capital markets and moving funds in the best interests of national welfare. That we effect this solution would, I am confident, be that great Democrat's fervent plea today were he here.

The Banking Act of 1935 restricts bond departments in commercial banks to dealing in securities of the United States Government, its instrumentalities, to municipal bonds and to executing orders given to it by customers. As the committee knows, before the passage of this act banks were permitted, through their bond departments or subsidiary investment companies, to participate in the investment field in a broad way. Depriving them of this privilege which some misused eliminated what for many years had been a tremendous outlet for securities and a vast contribution to the flow of investment money.

Had the facilities of the banks been replaced by other underwriting resources there would be no objection to the provision in the new banking act so far as the durable-goods industries are concerned. The fact of the matter is, however, that this great outlet not only has not been replaced but there is a definite shortage of financial resources for underwriting purposes. What is available is highly concentrated in a few large investment-banking organizations.

So far as banking practice is concerned, it would seem obvious that no harm could result from banks being permitted to participate in underwriting new securities of the type they are legally entitled to invest in, provided the amount each bank was permitted to underwrite was limited to the amount it is legally entitled to carry in its investment account.

To the end that banks again may help in keeping the investment markets open and liquid, we urge upon this committee that it direct its attention to this stimulation for the durable-goods industries in the extent recommended.

Looming large in the national economy today and responsible for much of the uncertainty and inactivity among our people who have been prudent and thrifty enough to have accumulated savings which the productive capital facilities must attract is this further manifestation of antisavings policy: It is the philosophy that spending will accelerate and sustain business and industrial recovery. Already there has been advanced the suggestion that expenditure by the Government of an additional $1,000,000,000 would bring us out of this recession.

Permanent recovery is possible only through the resumption of the essential processes of rebuilding and developing the durable facilities of the country. This can be accomplished only by initiative and enterprise in private business and by freeing the capital markets of those restrictions that have unduly hampered them. Government spending, without such intensive stimulation of private business, will not bring about reemployment beyond that immediately created by such expenditures.

The only true means to recovery is that which will stimulate the production of the country's real wealth, that which will result in the use of the Nation's capital goods, the facilities of production, distribution, transportation, and commerce. Never in the country's history has there been such a deficiency and such a degree of obsolescence in the Nation's facilities for producing and distributing its essential goods and services as exists at the present time.

Now there is one other medium for expression of an antisavings policy which I wish to discuss. It is the use of the taxing power for the purpose of reform.

3. EQUITABLE AND REASONABLE TAXATION

All of business, and especially the businessman who must make long-range plans on long-term capital and credit as in the capital-goods industries, must have assurance that the power of the Federal Government to tax its citizens will in the future be based upon equity and will not be used to attempt by unpredictable methods and with unpredictable results, major reforms in the character of our economic organization.

Let us not dodge the fact that taxing powers which have been detrimental to the advance in the last few years of the durable-goods industries have been very largely based upon reform motives. These reforms have touched the very heart of our system of free competitive enterprise and have resulted in depriving capital-goods activities, at some points in very large measure and at other points in lesser measure, of the three essentials I have been reviewing.

Unless we correctly understand the true economic results and consequent social effect of such reforms we may with reason apprehend that a philosophy which started out to legislate us into prosperity will reform us into poverty.

The undistributed-earnings surtax was born out of a desire to prevent the accumulation of savings or surpluses on the part of corporations. It is predicated upon the erroneous assumption that government in a free-enterprise system should undertake to determine the distribution of the national income between savings for reinvestment and expenditures for current living. The objective was apparently threefold:

First, to force such savings into circulation as purchasing power in the consumption-goods industries, on the mistaken theory that such savings, if retained by the corporations, would not contribute to purchasing power.

Second, by forcing such disbursements to remove the possibility that such funds would be used in the securities markets by a corporation to bid up the prices of securities. Presumably, this idea was invested on the mistaken information that the savings of corporations were substantially responsible for the extent of 1929 speculation.

Third, by forcing such disbursements to deprive corporations of some or all of their liquid assets and so control the extent to which capital facilities would be expanded. This apparently on the theory, again mistaken, that the expansion of plant facilities in the twenties was excessively large and that capital-goods industries should not be permitted to advance in activity beyond or out of relationship to the consumption-goods industries.

Each of these premises is, in our judgment, based upon misinterpretation of economic fact and social effect.

The undistributed-earnings surtax is now being defended against repeal upon the premise that its repeal would have a deflationary effect upon the economy. We fail to perceive sound reasons upon which this defense can be based. Any statement that repeal of the undistributed-earnings tax would have such an effect upon the economy must, it would appear, be based upon an assumption that corporation earnings now forced to be distributed in dividends under penalty of heavy tax is essential to sustaining consumer purchasing power, but that if not so distributed these funds would not contribute to purchasing power. Such an assumption ignores several simple facts:

First. It cannot be assumed that the Nation's purchasing power equals national income minus savings, because money is saved only to be spent. Businesses, industries, and individuals are always spending their savings—if not the savings of last month then those of last year or the year before. It should also be observed that in the rising tide of an economic cycle when emerging from a depression, enterprise—by the expansion of credit—will utilize capital more rapidly than savings are available, so that the purchasing power of expenditures for durable goods at such times is generally far larger than the aggregate of savings invested. This is a period when credit expansion for the financing of private enterprise is urgently needed but can only be obtained by the encouragement of enterprise to the point where it will seek and use such credit.

Second. It is through the expenditure of savings for improvement of the Nation's facilities that individuals obtain employment and sources of income which become purchasing power. Even the savings of corporations which are set aside or are maintained in strictly liquid form, such as the normal cash deposits in banks and investment in Government bonds and other readily marketable securities are making contribution to purchasing power. Bank deposits, for instance, are loaned by the banks to enterprises which create goods and wages.

Again, when a corporation invests some of its savings in readily marketable securities those savings make their contribution to purchasing power by replacing other funds which become free to undertake new enterprise and by contributing to the strength and liquidity of investments held by others.

Also, the very fact that they are available in case of emergency gives business management confidence and ability to progress in extending the distribution of its products and lower prices, through the expenditures for equipment and in higher wages to more workers.

I cannot say too forcibly on behalf of machinery and capital goods manufacturers and for those in other lines dependent upon them for employment that there is no method of modifying the undistributed-earnings surtax which will make that measure equitable taxation.

Mathematics do not comprehend a tax program embracing this principle that would not be gravely more burdensome on the capital-goods industries than it would be upon the consumption-goods industries. The peaks and valleys in volume of business in the capital-goods industries are so much greater than in the consumption-goods industries as to make this form of tax most inequitable. For further information as to the extent of this inequity I refer you to the December 1937 study "The Undistributed Profits Tax" by the Brookings Institution. In our judgment there is no fair alternative to repeal.

A further piece of tax legislation briefly referred to earlier but requiring further comment in this connection is the capital-gains tax. Again I must emphasize that a vital essential to revival and sustained activity in durable-goods industries is a free and untrammeled market in the securities of business. The capital-gains tax, due to the penalty it places upon capital gains without opportunity to offset capital losses, constitutes a serious restriction to free trading and to the liquidity of securities in the capital markets, to the great detriment of the sources of employment dependent upon the durable-goods industries for healthful activity.

WHAT CONGRESS CAN DO NOW

Now, specifically, what can Congress do to build confidence, accomplish equitable taxation, and encourage the free flow of capital and credit into business and industry? Happily, it need not look for panaceas. It can do these things:

First: Repeal the undistributed-earnings surtax.

Second: Amend the capital-gains tax, at least to the extent of permitting an offsetting credit for capital losses, and allowing capital losses of prior years to be carried over to offset capital gains of subsequent years.

Third: Amend the National Labor Relations Act so as to insure fair and equitable determination of facts by the Labor Board and the courts under judicial procedures which are consistent with recognized principles of equity and justice.

Fourth: Prevail upon the Securities Exchange Commission and other related agencies of Government immediately to encourage and not repress a broad, free market for the securities of business, realizing that new enterprise cannot be fostered in the face of a restricted and depressed securities market.

Fifth: Amend the Banking Act to permit commercial banks to participate in the underwriting of those classes of securities they are legally entitled to own.

Sixth: Study carefully the Securities Act of 1933 and the Securities Exchange Act of 1934 to correct those provisions which are so unduly burdensome and punitive as to discourage the normal development of new enterprises and the movement of the normal and essential volume of new capital into the securities of corporate enterprise.

Seventh. Make clear to the country that national economic planning is not now and will not become an accepted policy of the Federal Government, that the freedom of competitive enterprise will be preserved subject to necessary but equitable regulation in the public interest; and that such projects for the domination of business by Gov-

ernment as the proposed Federal control of wages and hours of labor in industry or the Federal incorporation of companies engaged in interstate commerce will not be undertaken.

In conclusion I can view with considerable sympathy the position of the legislator who was in office at the time that abuses in the economic system were being treated for eradication and who found himself under the necessity either of writing legislation or of voting upon legislation directed to the elimination of then existing evils. Such a man was serving at a time when the country was insisting that the evils be torn away—was insisting so sharply that it was only natural for him to feel compelled to lay down the severest restrictions his language could express so as to be sure he was carrying out the instructions of public opinion and of his constituents.

Time has passed, and I respectfully raise the point, while trying to place myself in his shoes, as to whether that legislator's anxiety to do a good job did not lead him to write provisions into acts that in the light of experience have proved unnecessarily stringent or impracticable. And I respectfully inquire, if that legislator or his successor is to be consistent in the performance of his duty, whether he is not called upon now to review those bills written then and passed in the heat of public indignation so that he may determine what modifications in the interest of all should now be made.

I am impressed that this action must be taken if consistency is to be sustained in the legislator's record. Moreover, I feel that if this course were pursued and made known to the country at large it would have a substantial effect in building confidence and we would to this extent make important gains in building confidence and stimulating employment.

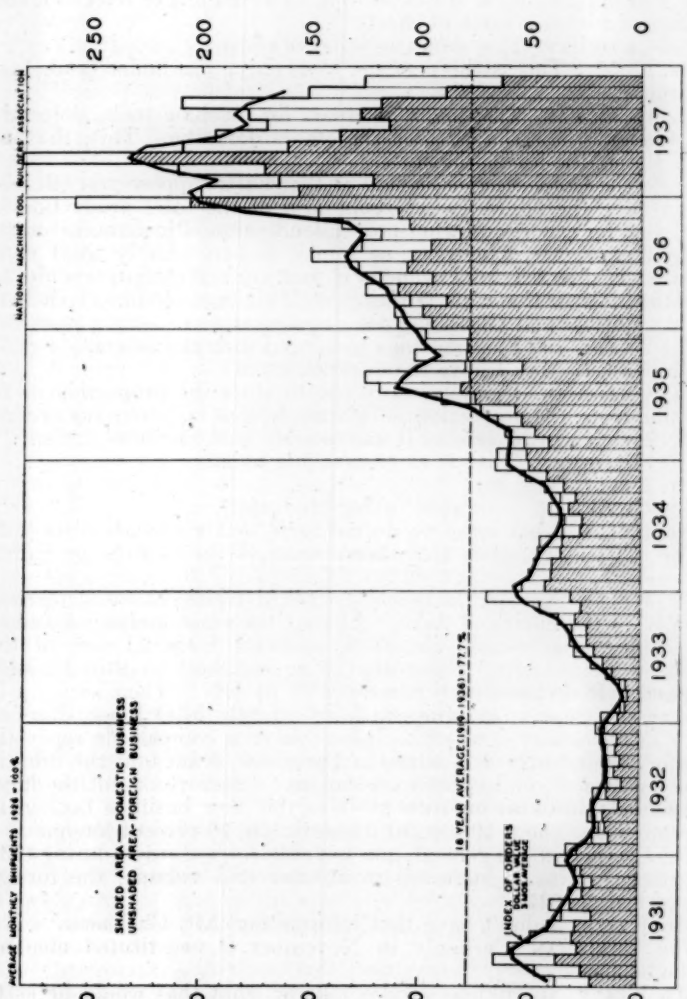
Finally, I should like to report that the businesses with which I am familiar greatly admire the present attitude of Congress. They look to Congress with approval and with hope.

The CHAIRMAN. Mr. Kelly, who are the major purchasers of machine tools?

Mr. KELLY. Machine tools?

The CHAIRMAN. Yes.

Mr. KELLY. Well, all manufacturers in the metals industries. Latterly, in the last few months of the year, the foreign buyers have been very substantial, and the proportion being bought in foreign markets is larger than that being bought in domestic markets, and I have a chart here, if the committee would like to see that.



INDEX OF ORDERS FOR MACHINE TOOLS, DOMESTIC AND FOREIGN

The CHAIRMAN. I intended asking you the proportion of the demand from foreign markets, so if the chart shows that it would be very interesting to see it.

Mr. KELLY. We have enough copies of it to give each Member a copy. It happens to be in a book that we would like to refer to if the committee wishes, a book of charts.

The CHAIRMAN. This shows an index of orders.

Mr. KELLY. This is the machine tools only, you understand, Mr. Chairman.

The CHAIRMAN. Yes; index of orders for machine tools, domestic and foreign. The shaded area represents domestic. This, the unshaded area, the foreign business.

While the Committee is looking at the chart, suppose you tell me, if you have the figures, what proportion of the total production is purchased for export and what proportion by domestic manufacturers.

Mr. KELLY. Mr. Chairman, so I may be sure exactly what your question is directed to, I wonder if you are referring now only to machine tools, or if you are referring to all kinds of machinery, including locomotives and Diesel engines.

The CHAIRMAN. First machine tools, and then the others.

Mr. KELLY. May I have the question again?

The CHAIRMAN. I simply want you to state the proportion as to machine tools, the proportion as between foreign and domestic orders.

Mr. KELLY. In November it was roughly half, about 49 percent.

The CHAIRMAN. That is as to machine tools?

Mr. KELLY. Yes, sir.

The CHAIRMAN. How about other products?

Mr. KELLY. I am sorry we do not have that information for you.

The CHAIRMAN. Has that been true of the months preceding November?

Mr. KELLY. No, sir; the machine tools, domestic business, reached its peak in the month of April. At that time the domestic business was taking about—well, almost 90 percent, I should say, of the machine tool output. From that time on the domestic business dropped. It dropped each month down to July. Then went up in August and September, dropped fairly sharply in October, dropped more in November, and while I don't have a comparable report to this for the industry as a whole in December, I am told the drop in industry as a whole has been even more. I believe one of the large companies said to me his own business, his new business booked in December was about 10 percent domestic and 90 percent foreign.

The CHAIRMAN. In general, how have the foreign orders during 1937 progressed? Has it increased in number and volume, the foreign orders during 1937?

Mr. KELLY. I don't have that information, Mr. Chairman.

The CHAIRMAN. Certainly in November it constituted one-half of the business.

Mr. KELLY. In volume. I don't know what that would be as to number of orders.

The CHAIRMAN. Have you an idea as to the total investment in the industry?

Mr. KELLY. No; I am sorry we do not have that.

The CHAIRMAN. Can you give me the trend in production from 1930 and trend in employment? Have you got those figures?

Mr. KELLY. Yes, I think we have those figures. You are still speaking of machine tools, I understand, Mr. Chairman?

The CHAIRMAN. Yes; machine tools.

Mr. KELLY. We are not prepared to answer that question, Mr. Chairman, but if you wish me to do so, I can get the information for the record.

The CHAIRMAN. Can you give approximately any information as to production and employment in 1930?

Mr. KELLY. In 1930?

The CHAIRMAN. Or 1931? Did it go down or up?

Mr. KELLY. Employment—no, sir; I haven't that record back to 1930.

The CHAIRMAN. You haven't got the employment?

Mr. KELLY. No.

The CHAIRMAN. What is the first year you have?

Mr. KELLY. 1933.

The CHAIRMAN. Give me that. What was it in 1933?

Mr. KELLY. That again does not refer to machine tools. It refers to durable goods. It was 46.9 percent.

The CHAIRMAN. In 1933?

Mr. KELLY. Yes, sir.

The CHAIRMAN. How about 1934?

Mr. KELLY. 1934, the same month, 70.9.

The CHAIRMAN. 1935?

Mr. KELLY. It was 75.1.

The CHAIRMAN. 1936.

Mr. KELLY. It was 80.2.

The CHAIRMAN. 1937.

Mr. KELLY. 1937, in the same month, it was 96.4.

The CHAIRMAN. 96.4 as against what in 1933?

Mr. KELLY. As against 46.9.

The CHAIRMAN. More than double?

Mr. KELLY. Yes, sir.

The CHAIRMAN. Now, from 1933, after 1933, we passed that banking act to which you object, and the A. A. A. to which you object, and the Guffey Coal Act, and the capital-gains tax as it stands on the books, and the surplus and the National Labor Relations Act.

Is there any act that was passed from 1933 to this date to which you do not object? What would it be, if there is?

Mr. KELLY. I am sure, Mr. Chairman, there are acts to which we do not object.

The CHAIRMAN. Can you think of one?

Mr. KELLY. I think of none of the major acts.

The CHAIRMAN. And in the case of these major acts your production increased from 46.9 to 96, in 1937?

Mr. KELLY. Yes, sir.

The CHAIRMAN. And these acts nearly destroyed you with prosperity, didn't they?

Mr. KELLY. Well, sir, I would be glad, if you wish me to do so, to state our feeling about those acts.

The CHAIRMAN. You have stated your feeling for 19 pages. I just wanted to ask if, as a result of all the major acts, your industry did not prosper more than it had in years and years?

Mr. KELLY. I can't say that it prospered more than it has in years and years, because you are referring, as I understand it, to the depth of the depression in 1932.

The CHAIRMAN. Well, certainly from 1932, that is true?

Mr. KELLY. No question about that.

The CHAIRMAN. In 1932 you did not have one of these destructive acts to contend with, did you?

Mr. KELLY. That is correct.

The CHAIRMAN. And you were broke, weren't you?

Mr. KELLY. I beg your pardon?

The CHAIRMAN. The industry was nearly broke?

Mr. KELLY. It was in bad shape.

The CHAIRMAN. I remember representatives coming here, and I sat down with them around the table listening to their pleas, and trying to be helpful, and I never heard men crying more than they did, back in 1932 and 1933.

Mr. KELLY. They were pretty blue.

The CHAIRMAN. None of this legislation could be charged with that, could it?

Mr. KELLY. No, sir.

The CHAIRMAN. What do you think did that?

Mr. KELLY. What caused all these things that occurred up to 1932?

The CHAIRMAN. Yes, what did you attribute it to then, when you didn't have all these legislative measures to charge it to?

Mr. KELLY. We had nothing to charge anything to until 1931, because business had been rather good.

The CHAIRMAN. But in 1932, when you were down to 46.9 production, what did you charge it to?

Mr. KELLY. We just went down with the rest of the world.

The CHAIRMAN. What did you say about it? What remedy did you offer? You didn't say, "Repeal the N. R. A., the A. A. A., the Securities Commission, the capital gains"? You didn't say anything of that. You couldn't, because they had not been enacted. What did you charge the worst days you have known to?

Mr. KELLY. Well, it is true business did not charge it to legislation. I think that all of us felt that we were going through perhaps three things: First, a liquidation as a result of what happened some 10 or 15 years before; second, the effect of overspeculation which occurred in the late thirties, and third, we were suffering from abuses in the economic system.

Senator CLARK. That is exactly what the Securities Act and the other acts were designed to cure.

Mr. KELLY. Well, Senator, I have said no place in this paper, I think, that we are opposed to the Securities and Exchange Act in toto.

The CHAIRMAN. What you have said is it is preventing the flow of capital, and in perfectly good nature, I would like to know what restriction of the Securities and Exchange Act you are referring to. What is it they have done, and what is it you tell us to persuade them not to do, to encourage capital?

Mr. KELLY. I refer to excessive margins, which is part of the administration of the Securities and Exchange Act. I presume, Senator, that I should be in a position to propose some modifications of the act and have them here so that I could read them to you. Unfortunately

I am not in that position, although I would be very glad, for the Institute, to provide those suggestions to your committee.

(See Exhibit A at conclusion of testimony.)

The CHAIRMAN. I would just like to know. I often hear gentlemen in your position, or similar positions, make the statement, but I seldom hear them state what regulation they are referring to, and if you would ask me, I frankly don't know. You say excessive margins. If there is anything else, what is it, so we can look into them? Is there anything else?

Mr. KELLY. Yes; I would like to refer to one or two things. I have referred in here to excessive margins. I have referred in here to discouragement of proper investment on the part of the man we call the speculator, and not an investor——

The CHAIRMAN. But you say they should not give so much emphasis to protecting the investor. You don't think they should?

Mr. KELLY. I believe there is a happy medium between the protection we gave before the act was passed and the protection that is given now.

The CHAIRMAN. Between what?

Mr. KELLY. The protection we gave him before the act was passed and the overprotection we are now giving him.

The CHAIRMAN. How can you overprotect him?

Mr. KELLY. These things that are being done it seems to us are keeping trading out of the market.

The CHAIRMAN. What things?

Mr. KELLY. Margins.

The CHAIRMAN. What else? We heard that.

Mr. KELLY. There is a provision in one of the acts that insists that an officer in a company, who buys stock, shall not sell it within 6 months, without reporting to the Securities and Exchange Commission.

The CHAIRMAN. What harm in that? To keep a man on the inside using information he has by reason of the knowledge of the business from selling stock in his company and depressing the price of the stock you are holding, and you being not on the inside do not know what he knows.

Mr. KELLY. I think it would do a great harm to permit that man to have the liberty he wants to have, but I think there is a happy medium between that and what can be done without in any way hurting me, who happens to be a small investor and not on the inside.

The CHAIRMAN. You have stated the whole thing. What harm is there done to the business of the Nation and the durable goods industry in preventing an officer from selling stock in the way you have described? How does that hurt the durable goods industry?

Mr. KELLY. It hurts it in that the officer won't go in and sell—and have himself misunderstood by the stockholders—when he feels the market is getting too high, or buy when he feels the market is getting too low.

The CHAIRMAN. You don't mean to say the safety of the durable goods industry is dependent on the ability of an officer to sell stock within 6 months of its purchase?

Mr. KELLY. On that alone, I do not at all.

The CHAIRMAN. How in the world does that affect the durable goods industry, then?

Mr. KELLY. I can see that all these small things put together cause something important to exist which does affect it.

The CHAIRMAN. All right; that is one. Next, the Banking Act. Do you know of any banker of any importance in this country who objects to the provisions of that Banking Act in separating and making the banks do a banking business? Do you know any important banker in this country today who objects to it?

Mr. KELLY. I do not know anyone who objects to it, and I am not recommending that be changed.

The CHAIRMAN. That is one of the things you referred to.

Mr. KELLY. No, sir.

The CHAIRMAN. Then, I misunderstood you. I understood that you made some suggestion that they be permitted——

Mr. KELLY. To the extent they are now legally entitled to buy that security for their investment portfolio anyway.

The CHAIRMAN. Can you tell me the name of a single banker in the country who is urging the amendment of the Banking Act in that particular?

Mr. KELLY. I don't know anyone who is urging it, but I can refer you to a statement of a bank which makes the suggestion. It is the report and annual letter of the president of the First National Bank of Chicago.

The CHAIRMAN. That is one. Any other?

Mr. KELLY. No, sir; none to my knowledge.

The CHAIRMAN. Well, that is the banking field. You have told what the investor, the little fellow, with the $1,000 debenture thinks—and you say he thinks of all these things. Do you think there is any of the little fellows who think the A. A. A. and the Guffey Act and the Miller-Tydings Act—that thinks all of those things will affect his $1,000, and that is why he is not investing?

Mr. KELLY. Well, Mr. Chairman, I say he is acting that way either deliberately or subconsciously. I don't know in the case of all, which is the more important; if it is deliberate, straight thinking out, or whether it is things he hears around and he subconsciously does not invest.

The CHAIRMAN. Are you telling us what he thinks about it, or what you think?

Mr. KELLY. I am telling you what I think he thinks about it.

Senator LODGE. What you think he thinks?

Mr. KELLY. That is exactly what I am doing.

The CHAIRMAN. You think if we should repeal all these acts we might get back to the condition that existed before they were enacted, the condition of 1933?

Mr. KELLY. No; I don't think we would get back to 1933. I don't think we ever go back. I think we always go ahead.

The CHAIRMAN. You would want us to repeal all major legislation enacted since then, but you wouldn't want it to result in the conditions that existed then?

Mr. KELLY. I wouldn't under any circumstances want you to repeal all of the legislation. I am very much in favor of the Securities and Exchange Act. I was in the banking business, and knew many of the evils that existed, and I am very much in favor of that. I am quite in favor, essentially, of the Securities and Exchange Act. I cannot differ with that act, except in details.

The CHAIRMAN. You forgot the W. P. A. Are you opposed to that one, too?

Mr. KELLY. That gets us into the particular subject of public expenditure, and about that I would just have to make one remark, if I may.

The CHAIRMAN. Oh, yes.

Mr. KELLY. I believe that public spending at the right time, connected with other things, is good. I have no objection to the public-spending principle that was adopted and has been followed during the last few years. I have no objection in principle now. The unhappy thing that happened, in our judgment, was that this spending was done without at the same time clearing the flow of capital, and without at the same time having what we consider to be equitable taxation.

In my judgment that spending, with capital flowing, with equitable taxation, would have given us confidence and put us in better shape than we are now.

The CHAIRMAN. What is your thought about it? With all these things contributing to it, some of the regulation of the Securities Act, the Banking Act, the A. A. A., and the Labor Relations Act, how do you think it did happen to affect the market all in November of last year?

Mr. KELLY. I am not a market student, Mr. Chairman. I can't tell you how that happened in November. I don't know anything about it.

The CHAIRMAN. Up to the fall you saw no serious falling off in business, did you?

Mr. KELLY. We have never had the satisfactory volume of business in the durable-goods industry that we hoped for.

The CHAIRMAN. No one ever has what they hoped for.

Mr. KELLY. I think, Mr. Chairman, the consumption-goods industry had all they should have hoped for.

The CHAIRMAN. And you had an increase from 46 to 96?

Mr. KELLY. Yes, sir.

The CHAIRMAN. What is your explanation of how all these things over the past 4 years that were so injurious helped you up to the fall and then suddenly hurt you?

Mr. KELLY. I think, Mr. Chairman, that if public spending should be indulged in during the next 4 years as it was during the last 4 years, we would be helped in the durable-goods industry. As I say in this paper, employment will be occasioned——

The CHAIRMAN. But you are not in favor of this spending?

Mr. KELLY. I don't know that I have expressed any position yet about public spending.

The CHAIRMAN. Well, how about it? Are you in favor of increased public spending or not?

Mr. KELLY. At this particular time?

The CHAIRMAN. Yes.

Mr. KELLY. There again, I think I would feel as we have continued to feel up to this time; namely—I think I have expressed it here in——

The CHAIRMAN. I thought you had.

Mr. KELLY. In shorter language than I would be able to in restating it. It is right here in the paper. I say here:

> Permanent recovery is possible only through the resumption of rebuilding and developing the durable facilities of the country. This can be accomplished by initiative in enterprises in private business, by freeing the capital markets of these restrictions that have undoubtedly hampered them.

And so forth.

The inference being in that statement that coupled up with these things quite probably we would have permanent recovery.

The CHAIRMAN. Regardless of that statement you favor at this time an increased spending by the Government?

Mr. KELLY. Under those conditions, I would favor it.

The CHAIRMAN. You mean that at this time it would stimulate private investment?

Mr. KELLY. Yes; it would stimulate private investment.

The CHAIRMAN. Would it encourage private investment for the Government to engage in a larger spending program?

Mr. KELLY. I would like to think of that question.

The CHAIRMAN. You say you want the increased public spending coupled up with the increased stimulation.

Mr. KELLY. No; it would not, Mr. Chairman, unless we repeal the undistributed-earnings surtax, unless we do something about the capital-gains tax, unless we lifted some of these other retarding restrictions.

The CHAIRMAN. You think those investors and people who have wealth to invest in industry would favor a spending program, an increased spending program? You think that?

Mr. KELLY. Attaching to it the qualifications that I have attached to it. I think it would do what our last spending program did, which was to give us recovery up to this time, apparently.

The CHAIRMAN. How would the capital-gains tax effect an increased deficit and a further unbalancing of the Budget?

Mr. KELLY. I don't believe the capital-gains tax alone could do that.

Senator LODGE. Mr. Kelly, I note you are president of the Machinery & Allied Products Institute. What are some of the allied products?

Mr. KELLY. The Machinery & Allied Products Institute is an affiliation of machinery manufacturers, like the Diesel-engine manufacturers, the locomotive industry, the silent and roller chain, power transmission. It is representative of the products that produce metal goods.

Senator LODGE. You speak for all the machine-making industries, in general?

Mr. KELLY. In general, yes.

Senator LODGE. This statement of yours, then, is not just a personal expression of opinion on your part?

Mr. KELLY. This statement you are referring to?

Senator LODGE. Yes. It was submitted to the various members of your Institute?

Mr. KELLY. It was written after consultation with the executive committee of the Institute; yes, sir.

The CHAIRMAN. Who prepared this chart for you, Mr. Kelly?

(See Exhibit "B" chart A, at conclusion of testimony.)

Mr. KELLY. Some of these charts, Mr. Chairman, have been prepared by different people. The charts, of course, are drawn by us. The source of the information is the United States Census Bureau and the United States Bureau of Labor Statistics.

The CHAIRMAN. Why did you select the year 1899, do you know?

Mr. KELLY. Well, I think what we were trying to do there was to start with the turn of the century.

The CHAIRMAN. It shows factory jobs increasing faster than population.

Mr. KELLY. Yes.

The CHAIRMAN. Take the figures from 1920 to this date, and it would show the factory jobs just to the contrary, have grown slower than the population, will it not? From 1920 to this date?

Mr. KELLY. Well, as to that, Mr. Chairman, I don't know.

The CHAIRMAN. I am sure that is a correct statement. Will you make a memorandum to look at it and see, and answer it for the record? From 1920 to 1938, the figures of the Census Bureau will show just the contrary of this.

Mr. KELLY. To 1938?

The CHAIRMAN. Yes.

Mr. KELLY. From 1920 to 1938.

Senator LODGE. It will show the population was increasing faster than the jobs?

The CHAIRMAN. It will show factory jobs were slower. By going back to 1899 it does make the line you have here. I was just wondering why that year was selected.

Mr. KELLY. Of course there are other years that could be selected which I think would show this way, other years that may show just the way you refer to. For example, I imagine the period from 1910 to 1920, taking those two census periods, would show as you have indicated here. I presume 1938 takes into consideration this unemployment. You see we have to work, after all, very largely with figures——

The CHAIRMAN. Put 1910 in there if you want to at the same time. That is all.

(See Exhibit "B," chart B, at conclusion of testimony.)

Senator LODGE. Have you been affected at all by foreign competition in machinery and allied products; imports of machinery from foreign countries?

Mr. KELLY. My impression, Senator, is that we have not been seriously affected, but I do not believe that we have in our files information that would let me answer that question with great authority.

Senator LODGE. Have you examined the list that has been put out by the State Department of articles that are to be considered in negotiating the trade agreement with Great Britain?

Mr. KELLY. Not to an extent that I could discuss the items on the list. We have examined it, and we consult with the State Department, and are now in consultation with the State Department about a few of the items.

Senator LODGE. Are not some of the articles on that list manufactured by industries who are members of your institute?

Mr. KELLY. Oh, yes; I should think so; I should think a great many of them.

Senator LODGE. Let us take, for example, textile machines; are they members of your institute?

Mr. KELLY. They are not.

Senator LODGE. They are not?

Mr. KELLY. No, sir.

Senator LODGE. Let us take shoe machines; are they members of your institute?

Mr. KELLY. No, sir.

Senator LODGE. How about printing presses; are they members of your institute?

Mr. KELLY. They are not.

Senator LODGE. Who are members of your institute that are likely to be affected by this—mentioned on that list?

Mr. KELLY. Diesel-engine manufacturers, I presume.

Senator LODGE. Let us take Diesel engines; are Diesel engines protected by the tariff now?

Mr. KELLY. I believe so, although I am not positive about that.

Senator LODGE. How much of a reduction in tariff protection could they stand?

Mr. KELLY. I am not in a position to answer your question, Senator.

Senator LODGE. Do you expect that it will be of benefit to the Diesel-engine industry to have the tariff reduced?

Mr. KELLY. I am not sufficiently informed to engage in a discussion on the question. I don't know.

Senator CLARK. Has the volume of the export business of the industries represented by your institute increased or decreased since 1933?

Mr. KELLY. I have not the figures, Senator, but my impression is that they would have increased. In the case of the National Tool Builders, we know that they have increased, because we have the chart right here, but you are asking——

Senator CLARK. I was speaking of the members of your institute.

Senator DAVIS. Do you expect a continuance of these foreign orders?

Mr. KELLY. As to the Tool Builders, Senator, we have the specific records, and therefore, I can talk rather intelligently about it, the foreign orders appear to be falling off in volume. Now, I do not believe that I have information to answer your question specifically.

Senator DAVIS. Have these foreign orders fallen off because of the fact that Europe looks a little more peaceful than it did?

Mr. KELLY. I think your judgment on that would be better than mine.

Senator DAVIS. Mostly, these tools being shipped over there, I presume, are going into these different factories that are making war materials, are they not?

Mr. KELLY. I would not be at all surprised.

Senator DAVIS. How many corporations are members of your organization? How many different corporations?

Mr. KELLY. Oh, I should say about 600.

Senator DAVIS. And, as you just pointed out here, when there are a lot of orders for tools, it is a sure sign that there are, at least, good times in prospect.

Mr. KELLY. I do not attach that significance to the machine-tool business in itself, Senator. The machine-tool manufacturers, for

example, have had an exceedingly busy time, as their chart shows, and as their records show. I do not believe that that, in any way, is duplicated in some other of our industries.

Senator DAVIS. If you went back to normal conditions would there be a shortage of skilled tool makers?

Mr. KELLY. Skilled workers?

Senator DAVIS. Yes.

Mr. KELLY. I should say that with the tool builders doing the business that they did in their peak month this year, or last year, if they had skilled workers to get out that business, that there probably is a supply to take on at least that pretty big peak.

The CHAIRMAN. Are you familiar with the conditions in the factories manufacturing electrical equipment?

Mr. KELLY. I am not, sir.

The CHAIRMAN. You do not know whether or not they are working to capacity production at this time, or what percentage?

Mr. KELLY. Well, I have in mind one company, but I am afraid that would be misleading information, because that company is other than electrical equipment. However, it does manufacture electrical equipment.

The CHAIRMAN. To be specific, I am asking for this reason; by reason of the decision of the Supreme Court, the Department of Justice is moving to dissolve injunctions in a number of cases where projects have been approved, and as Secretary Ickes has funds in his hands for the development of projects which will necessitate the purchase of electrical equipment—I think approximately $100,000,000. Should those injunctions be dissolved the Secretary would be, therefor, permitted to proceed with those projects, in the purchase of that equipment. Do you think the industry is in a position to immediately go to work and provide the necessary equipment?

Mr. KELLY. I will have to know, Mr. Chairman, what part of that equipment would be taken from our industry. I really do not know.

The CHAIRMAN. I should think it would be a matter in which you would be interested, because that is the fact, that the decision of the Supreme Court has resulted in the filing of motions to dissolve these injunctions in a number of cases, and in one or two instances, where motions have not been made, they will be made, according to the Attorney General. If the projects are proceeded with, it would involve the expenditure of $100,000,000. It should result in some orders for the industry on those projects, should it not?

Mr. KELLY. I would judge so, but exactly what this industry would furnish of that kind of material, and what would be furnished by companies outside of the industry, I do not know.

The CHAIRMAN. Would this industry of yours furnish electrical equipment?

Mr. KELLY. Are you speaking of power plants?

The CHAIRMAN. Engines and things of that kind. Certainly they are needed. You would know better than I would the machinery that would be required—the kind of equipment necessary to equip a power plant.

Mr. KELLY. Well, this industry would produce a substantial part.

The CHAIRMAN. You have not taken that into consideration at all in considering the immediate future of that portion of the industry then?

Mr. KELLY. No, sir. However, Mr. Chairman, those companies that manufacture in that line, who have reported to us in these figures, of which we have given a composite, undoubtedly have taken that into consideration in forecasting what they are going to do in the first 6 months of 1938 but, specifically, as to what part, and to what extent, I don't know.

The CHAIRMAN. Does activity in tools normally precede a drop in employment in other industries, as new machines come into use?

Mr. KELLY. Well, of course, undoubtedly, there is such a thing as temporary machine displacement.

The CHAIRMAN. Yes.

Mr. KELLY. And when a new industry is coming up, new methods are coming up, and an old industry is passing out there are, undoubtedly, jobs there that are temporarily displaced as a result of the new mechanics being put into operation.

The CHAIRMAN. Would you mind looking at this chart here along that line [indicating] to see if I correctly understand it. It represents production of tools here [indicating].

Mr. KELLY. That is all tools.

The CHAIRMAN. That is the shaded area?

Mr. KELLY. That is domestic business; and the unshaded, or white area, is foreign business.

The CHAIRMAN. Does it show that when the production of tools goes up, business is down following that?

Mr. KELLY. I do not believe that chart can be used for that purpose, Mr. Chairman.

The CHAIRMAN. You do not know, at any rate. All right.

(Witness excused.)

EXHIBIT A

MEMORANDA SECURITIES ACTS

I. Securities Act of 1933, as amended by title II of Securities Exchange Act of 1934.
II. Securities Exchange Act of 1934.
III. Comment on administration of acts.

I. SECURITIES ACT OF 1933

1. The definition of prospectus requires amendment to clarify the circumstances under which a communication offering a security for sale shall not be deemed a prospectus, thereby making more certain the limitations of liability of the offeror, and helping to facilitate new offerings of the securities of business.

2. The definition of an underwriter requires further clarifying particularization which will assure those participating in purchasing and marketing the securities of business of their status; specifically to eliminate the following from the classification of underwriter (1) those purchasing a security from an underwriter or dealer at a discount not in excess of the customary distributors commission (the effect of this would be to eliminate those having an interest not only in such a discount but also in the purchase and investment, whereas the act now specifies those "whose interest is limited to a commission * * * "); (2) those making an underwriting agreement with an issuer or underwriter but who do not dispose of the security until more than 6 months after making payment in full; (3) those performing duties of fiscal agent, depositary, transfer agent, or registrar and receiving compensation for such performance; (4) those recommending purchase, sale, or exchange of a security provided any compensation received therefor from an issuer, underwriter, or dealer is fully disclosed.

3. It would be helpful to have the definition of dealer revised so as to stipulate that a person is not a dealer insofar as he buys or sells securities for his own account whether individually or in a fiduciary capacity not as a part of a regular business of distributing securities.

4. The act should include a new section specifying what is meant by an untrue statement of a material fact, and several references throughout the act (particularly as to civil and criminal penalties), should relate back to such definition. It should specify that an untrue statement is one which is untrue in itself or one which while literally true is incomplete or misleading by omission of a material fact, and it should state a material fact to be a fact which if truthfully stated at the time the untrue statement was made would have affected adversely the market value of the security. By inclusion of such a specific section much doubt would be dispelled which is responsible for uncertainty as to how present statements may be perceived or represented to be in later proceedings taken under the act, and confidence would be built and activity stimulated in the securities of business.

5. The terms "public offering," "new offering," "distribution," or "offered to the public" should be defined by addition of a new section, and it should also specify that these terms in no event include an offering to one hundred persons or less. This again would remove doubt and uncertainty and stimulate activity.

6. Likewise the addition of a definition of the term "control" is important and would be most helpful. "Control" through stock ownership should be stated to mean ownership of 51 percent or more of the votes cast for election of directors at the last preceding annual meeting.

7. The sections on exempted securities should be further broadened to exempt any security exclusively issued to or exchanged with security holders or creditors provided that compensation paid for solicitation of such exchange be fully disclosed, rather than limiting exemption as at present to exchange with security holders where no commission or other remuneration is paid for soliciting such exchange. This severe restriction is an unnecessary bar to the free flow of securities into uninterrupted business operations.

8. These sections should also be amended to broaden the authority of the Commission in its judgment to exempt issues for reasons other than now specified in the act. The present limitation of the Commission to discretionary authority as to issues of not more than $100,000 should be removed.

9. In order to facilitate the free flow of securities and to the end that issuance of securities may not be made unnecessarily costly the Commission should be authorized in its discretion to dispense with the filing of registration documents when such filing in its judgment is not necessary to compliance with the purpose and spirit of the act. The requirements of law should be somewhat relaxed in the sections dealing with the information required in prospectus, and including here permission to the Commission to receive statements in summary rather than detail in cases where such treatment is justified in its judgment. These are numerous incidents where complicated filing is wholly unnecessary, and this provision for relief in such clear cases is most important to have.

10. The provisions of the act stipulating "civil liabilities on account of false registration statement" have been found to be unnecessarily severe and unfair upon the issuer and underwriter and their officers. A number of simple changes can be made which will result in an accelerated flow of capital into business. Such changes can be accomplished without impairing or destroying the usefulness or effectiveness of the act. They would in fact greatly strengthen the popularity, the practicability and the constructiveness of its application.

11. The provisions of the act respecting civil liabilities arising in connection with prospectuses and communications place an unfairly disproportionate burden of proof upon the seller, and so adds burden of cost and uncertainty to the flow of capital. Rewriting of portions of this section 12 demonstrates that the purchaser of a security can be fully protected by the act without inflicting such severe conditions upon the seller. Again, amendment of this section would increase the workability and usefulness to the Nation of this act. Similarly, the liability of "controlling persons" has been too broadly laid down, and can be amended with complete fairness to all and without frustrating the purpose and effectiveness of this provision.

12. The requirements of schedule A prescribed in the act are unnecessarily burdensome and severe. The original schedule A has been succeeded by a modified schedule A–2 at the insistence of the Commission, but the Commission is limited in the modification it can make by the substance of the act. The act therefore requires amendment in this particular, before any further relief can be reasonably expected from the Commission. Study of the prescriptions of the act in the light of experience in the registration of securities is conclusive that a number of changes can be made which, by elimination of unnecessary or unimportant requirements, will assist in expanding the flow of capital, also without impairing the force and the effective application of the act.

II. SECURITIES EXCHANGE ACT OF 1934

1. The right of issuers to withdraw registration from a national securities exchange should be unqualified. Such right is made indirectly subject to control of the Commission by inclusion in subsection (d) of section 12 of the words "in accordance with the rules of the exchange, and upon such terms as the Commission may deem necessary to impose for the protection of investors." Question of later right to withdraw listing on an exchange (which these words and the disciplinary powers of the Commission over exchanges, inject) is a factor in part responsible for the drastic reduction in the marketing and listing of new securities, and these words should be eliminated by amendment.

2. The act gives to the Commission powers over the accounting policies and methods of an issuer which are too broad, thus injecting a factor in part responsible for the failure of the free flow of capital through the national exchanges. The requirements can be reduced without impairing the efficiency of the Commission's work.

3. The interference with the use of proxies contained in section 14 is objectionable to issuers who contemplate the marketing and listing of securities. By stipulating limitation of the section to corporate actions at stockholders' meetings and by specific definition of the term "to solicit" as not precluding the customary submission of notice of meeting with form of proxy, nor precluding any action by agents of issuers in procuring attendance in person or by proxy in the absence of a contest for procurement of proxies, the objection could be overcome to the satisfaction of all concerned.

4. The act contains prohibition against creation of a market for a security, and against the use of any facility of such a market, otherwise than on a national securities exchange, except under rules of the Commission "appropriate * * * to insure to investors protection comparable to that provided by and under authority of the act in the case of national securities exchanges." This provision is believed to be in net effect heavily discriminatory against small companies whose securities cannot readily be listed on the national exchanges and the investors in which in consequence expect and incur a lesser degree of marketability and liquidity, and a consequent greater investment risk. Deletion of this section 15 of the act would be helpful to the flow of capital into small enterprises.

5. The arbitrary request of monthly reports reporting changes in holdings from every person owning more than 10 percent of any class of any security forces those owning 10 percent to live in a glass house while completely exempting persons owning 9¾ percent. Combined with Commission investigation and the possibility of it, this condition has a marked effect in curtailing activity and thereby contributing to "thin" markets. This condition should be remedied by eliminating or substantially raising the percentage and by requiring annual rather than monthly reports. The inclusion of stockholders not directors or officers is discriminatory, and the amended section should be confined to directors and officers.

6. The provision designed to prevent the unfair use of information has been proven to be entirely too rigid. Depriving any officer or director of profit on security transactions of his company realized within 6 months has been too severe, and by robbing the security of the support of such holders at low points and eliminating the balancing factor of sales by such holders at high points, the net results have been seen to be, as a result of much greater price fluctuations, harmful to other stockholders, rather than a protection. This provision was originally dropped from the House bill. Experience demonstrates it should not have been retained in the Senate bill and final act, and should now be repealed, and provision substituted which would give the Commission authority on occasion to investigate and act against instances of great abuse in the use of information by directors and officers.

7. The act should be amended to define a false or misleading statement in the manner recommended above for the Securities Act. This with reference at several points relating back to such definitions, can change the burden upon persons connected with issuing, marketing, and dealing in the security to one more fair and practicable without impairing the protection of those who purchase it.

8. Too broad a power is conferred upon the Commission to issue orders affecting the issuer as to the listing or striking from listing of any security. Such control could act to prevent a corporation from exercising the unqualified right it should have of withdrawing its security from listing. This condition, in view of the Commission's right to alter the rules of the exchange and so to impose additional burdens on that security which the corporation might not be able to withdraw, is retarding the marketing and listing of securities.

9. Security holders or their transactions should not be investigated by the Commission on mere suspicion but only because of tangible information as to violation. The grant to the Commission of the right to investigate to determine whether any person "is about to violate any provision" of the act is unwarranted. General confusion as to interpretation of the numerous provisions of a still-new law, combined with some Commission investigations and inquiries and dislike of them, has retarded activity in the capital markets. This phrase should be stricken from the act and the authorization to investigate generally to secure "information to serve as a basis for recommending further legislation" should be stricken for the same reasons.

10. The act grants to the Federal Reserve Board authority to prescribe the amount of credit that may be initially extended and subsequently maintained by any investor in any security on a national securities exchange. The authority extends beyond regulation of loans by investment brokers to commercial banks and is therefore substantially complete control of the amount of available credit against the securities of business and industry. It was required that as much as 122 percent of market value be pledged as security for loans. After the break in market prices in the fall of 1937 the requirement was reduced to 82 percent. This discrimination against the flow of capital into the securities of industry is best illustrated by comparison with the Federal requirement of 20 percent in real estate and housing loans where as to homes it is now proposed to further reduce the margin to 10 percent. In agriculture both as to land and commodities Federal credit policies have been liberal indeed. In competition for the investor's money, the high and inflexible margin requirements against security loans are a severe handicap to an open and free-flowing market for the securities of business.

Both acts

The penalty provisions, especially of the Securities Act of 1933, are too drastic. They discourage active and healthy capital enterprise. The provisions differ unnecessarily as between the two acts, and should be reasonably modified and brought into accord.

III. COMMENT ON ADMINISTRATION OF SECURITIES ACTS

As has been pointed out in the foregoing memoranda, in the face of substantive requirements in the acts themselves the Securities Exchange Commission cannot alone be expected to accomplish for business and industry and the investing public the moderated administration of these acts which is so necessary to a free-flowing capital market, and resulting enterprise and employment. The policy of Congress needs re-expression through amendment of the two acts.

Such purposes of the acts as the prevention of excessive credit for speculation the elimination of abusive manipulation of the markets, the procurement for the investing public of authentic and adequate information on securities, and the prevention of abuse in the dual relationship of dealer and broker, are worthy and sound.

These purposes have been accomplished, and the accomplishments must not now be lost. Nevertheless the rigid restrictions by which these purposes were made certain of fulfillment have been responsible in large measure for the great disturbance in the free flow of capital into the securities of business, as was detailed at some length in the statement made before you January 13. The capital markets must be stimulated by moderation of too rigid regulation, and our study convinces us that this necessity of foremost importance can be achieved without the sacrifice of what has been soundly done in the direction of preventing the moral evils against which the acts were designed to safeguard.

The solution involves something more however. It requires a recognition of the misinterpretation of economic fact and social effect which directly and indirectly underlies many of the laws and administrative regulations which taken together comprise a philosophy diametrically opposed to the normal processes of savings and investment which are the very processes that have developed the American standard of living to its high level.

This antisaving philosophy (which was also treated in its relation to present prospects for employment in the statement of Machinery and Allied Products Institute made before you January 13) is apparent in the Revenue Act of 1936, both as to the undistributed profits tax and the capital gains tax, as to which also there is particularization in the January 13 statement.

It is apparent in the emphasis in recent years upon stimulating consumption-goods industries, of spending rather than investing in the production of durable wealth. It appears in the Federal Reserve restriction of credit available against pledge of the securities of business.

Vigorous, progressive new enterprise is essential to increased employment. The investor, the speculator, and the purchasers of securities representing the numerous gradations between the highest risk of the greatest speculator and the smallest risk of the most conservative investor, are necessary to American enterprise. The importance of the employment created by the processes of savings and investment in productive wealth-creating investments must not be overlooked. Safeguarding of investments is important, but even more so is the creation of jobs. Happily, the means are available to do both. The modification of the Securities Acts herein suggested will make it possible to continue to safeguard investments, while loosening the rigidities will open the capital markets to employment-creating enterprises.

Unless and until statutory and administrative regulation is approached with a full recognition of the first need to open and sustain the avenues of employment through encouragement of savings and investment by a moderation of the one-sided emphasis of past years, national income of 1937 will not be equalled, not to say that a larger national income will be impossible of attainment.

The Securities and Exchange Commission and other related agencies of government should be prevailed upon to encourage and not repress a broad, free market for the securities of business. It is equally clear, however, that the policy of Congress must be reexpressed in the light of experience with securities regulation, by improvements upon the Securities Act and the Securities and Exchange Act such as are the subject of the foregoing memoranda.

EXHIBIT B

Mechanization Creates Rather Than Destroys Employment Opportunities

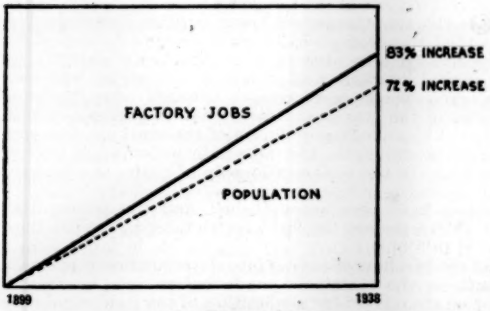


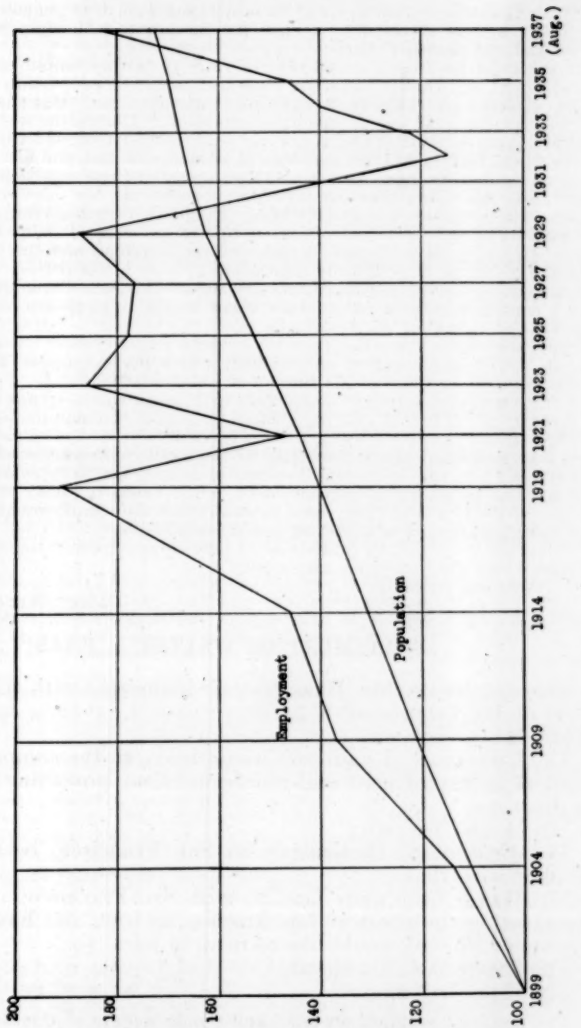
CHART A.

In compliance with the chairman's request, Mr. Kelley submitted the following chart (Exhibit B, Chart B) with an attached explanatory letter.

CHART B.

Population and Factory Wage Earners in the United States 1899 - 1937

(Sources: U. S. Census Bureau and Bureau of Labor Statistics)



MACHINERY AND ALLIED PRODUCTS INSTITUTE,
Chicago, January 24, 1938.

Hon. JAMES F. BYRNES,
Chairman, Special Committee to Investigate Unemployment and Relief,
United States Senate, Washington, D. C.

DEAR SENATOR BYRNES: In the questioning following my testimony before your Committee on Unemployment and Relief on January 13 you asked me for more detailed information on the trends of factory jobs and population from 1899 to 1938. I stated that I would submit such information to you.

A chart showing the curves of population in the United States and employment of factory wage earners is enclosed. It shows index figures over the period from 1899 to August 1937, which is the latest figure available.

At the time of our discussion on this subject someone drew pencilled markings on the chart we had submitted. I hope the committee will compare that marked chart with the enclosed chart.

It has sometimes been stated that in 1918–19 factory employment was at its highest level and that it has since been declining. In proportion to population, as the attached chart shows, it was highest at that time. But there are obvious indications that such was an abnormal condition. During the war and for a considerable part of 1919, until American soldiers had returned from abroad and to their jobs, factory workers consisted of women, children, and men most of whom were not suited for Army service. (How many of these war-time workers were children is something that our immediate records do not disclose.) Labor efficiency in consequence was at a low ebb. Production methods during this feverish period were likewise less efficient than normally. The loss in labor and production efficiency could be withstood because of the wartimes and the boom that permitted the charge of artificially high prices. Only a war period, however, could sustain such a condition without bringing serious retrogression in living standards, and a continuation of it in ordinary times would bring a serious slide to a low standard of living for all Americans.

Since that time there has been no evident trend toward lower employment, and in 1937 manufacturing employment was 5 percent above the 1929 level, according to the reports of the Bureau of Labor Statistics.

A further consideration in connection with employment trends and the effects of mechanization is that jobs are created outside of the manufacturing industries by the increased production of goods made possible by technological advancement. This fact, and many others published by the institute in a series of pamphlets on Technology and the American Standard of Living, factually demonstrate that a charge that technological advancement is the cause of today's unemployment or that there is a long-time trend toward greater unemployment as a result of technological advancement, is not just or sustainable.

I shall be very glad to undertake to furnish any further information on this subject which the committee may desire.

Very truly yours,

WM. J. KELLY, *President.*

STATEMENT OF WALTER A. HAAS

The CHAIRMAN. Mr. Haas, you are connected with the community chest of San Francisco?

Mr. HAAS. Yes, sir.

The CHAIRMAN. I wish you would make to the committee a statement of unemployment and relief conditions prevailing in California at this time.

Mr. HAAS. Yes, sir.

The CHAIRMAN. Particularly in San Francisco, because you are familiar with that.

Mr. HAAS. I am more familiar with San Francisco, although I am representing the chest of Los Angeles, as well, and have prepared a statement which I would like to read, in part.

The CHAIRMAN. Go ahead.

Mr. HAAS (reading):

The proposed program on relief and public welfare of the National Citizens Committee of the Community Mobilization for Human Needs is not a hastily formulated recommendation to meet a new emergency, nor does it come from a group that has any other ax to grind than the social betterment of those who are suffering unemployment and want.

The committee's proposals represent the collective thought of private social agencies. The thinking is not new; the conclusions have not been cooked up overnight. They are the result of observation of and participation in the struggle to solve the most perplexing problem that has faced our Nation in this decade.

In March 1936 the community chests and councils of California agreed upon a program of relief and social welfare which was substantially the same as that we presented this morning. At that time they recommended that Federal funds be provided for direct and/or work relief on a grant-in-aid basis to States with the

Federal Government establishing and requiring the maintenance of adequate standards of relief and personnel. They asked that the direct administration of relief be put in the hands of qualified local units of government under the supervision of a proper State body. And they requested that the Federal Government reassume financial responsibility for the out-of-State transient through grants-in-aid to the States and the development of a coordinated program.

There has not been time for all the community chests in California to consider and act upon the program of the national committee, but it has been approved by the two largest chests—Los Angeles and San Francisco—and I have every reason to believe that it will receive the official approval of all chests and councils throughout the State.

I propose to review in some detail the condition in regard to unemployment and relief in California as shown by material and statistics gathered from a number of authoritative sources. However, at this time I wish to call your attention to a few salient facts which point out the situation in which we find ourselves and the direction in which we are moving in the State of California. I believe they clearly demonstrate that this is the time—as a matter of fact, I think it is well past the time—for the Federal Government to take stock of the entire welfare situation in all its phases to the end that sounder means be devised of dealing with the national problems arising from long-continued unemployment.

In 1936 and the first 8 months of 1937 we saw an encouraging betterment of business conditions but, when we examine the picture, we find that increases in production, in carloadings, in trade, and in the other measurements of prosperity were not accompanied by a rise in employment of anything like the same degree. In the last summer we entered what is called a recession with an immediate drop in employment and a rise in applications for aid. How long present conditions will continue, or how far the recession curve will drop, we cannot tell. We do know that as long as its lasts an increasing proportion of our people will need public assistance and that when business improves there will still be a large number of the men and women in California who will be unable to find employment in private industry.

In justice to them, and in the interests of the general welfare, we in California believe that joint Federal, State, and local participation in a nationally unified relief program is imperative, and that the problems of unemployment and relief are of sufficient importance—are apparently of such a continuing nature—as to require survey by a qualified commission.

To substantiate this view, I wish to present certain observations on general employment and relief conditions in California with particular emphasis on the transient problem which is a pressing one in our State.

EMPLOYMENT IN CALIFORNIA

An examination of employment indices for California will reveal several indications of a recent downward movement in this field.

The factory-employment index figure (excluding fruit and vegetable canning industries) for November 1937 is 118. (This is using 1923–25 average as 100 and is adjusted for seasonal variation.) This is the lowest figure for 1937 reported to date. Since July the figures have dropped to—

August	125
September	120
October	120

During 1936 this index ranged from 107 in January to 122 in December, reflecting a steady increase from March to December. The same condition was noted in 1935, so that the period from August to November 1937, inclusive, reflects a considerable drop following a period of 2½ years of steady rise.

The California State Division of Labor Statistics and Law Enforcement records a decrease of 22 points in its index number of employment between August (103) and November (81). This compares with a drop of 20 points the previous year (August, 97; November, 77).

Figures obtained from the State chamber of commerce show a greater drop in factory employment between August and December 1937, than in the preceding 2 years, namely, a drop from 112.5 to 96.3. Thus there is a drop of 16 points between August and December 1937, compared with 8 points in 1936 and 4 points in 1935.

Complete returns from the Federal Unemployment Census of November 1937 are as yet unavailable but from press reports, 258,000 persons in California were unemployed and wanted work, while between 90,000 and 100,000 were engaged

in Works Progress Administration, Civilian Conservation Corps, or other emergency work in the State. Since the census other workers have been laid off throughout the State.

It should be pointed out that economic and industrial conditions in the West, particularly in northern California, show a considerable lag when compared with conditions in the East. This was unmistakably true in 1929 to 1931 when the severity of the last depression did not fully hit the West until 12 or 18 months after it had struck the East. There is no reason to suppose that the same situation will not prevail if eastern conditions do not show a marked improvement within the next few months. In fact, with employment indexes off a few points now, it would be safe to assume that in 4 months they would fall still further if there is no improvement in industry in the eastern centers.

RELIEF CONDITIONS IN CALIFORNIA

Relief figures are significant in pointing out changes in economic conditions. The California State Relief Administration has kept dependable figures covering its State-wide activities over a period of time and we quote from reports of its activities published by the California State Department of Social Welfare. In California, relief to employable residents of the State is provided by the State administration which also acts as the certifying agency for the Works Progress Administration. Unemployable residents are the responsibility of the counties, under present arrangements.

Under certain conditions, employable nonresident families, unattached women, and boys are given emergency relief by the State relief administration pending carrying out of a permanent plan in each individual case. Unemployable nonresidents are given emergent care under similar circumstances by all counties in the State. I shall refer later to the problem of transients.

The number of residents receiving direct relief through the State relief administration shows a marked increase during the last 4 months of 1937. So likewise does the number of persons benefiting through the Works Progress Administration program. For the corresponding period in 1936, there was, it is true, an increase in the number of State relief administration cases but there was also a definite decrease in Works Progress Administration work relief figures for the same period. The county relief load, too, throughout the State as a whole, has been gradually and steadily increasing during 1937.

The total number of persons receiving direct relief from State relief administration and benefiting through work relief under Works Progress Administration rose between September and December 1937 at the rate of 21.2 percent. The rate of increase was 5.6 percent in the same period in 1936. The increase in actual number of persons was 55,060 more in 1937 than in 1936. In addition to this increase, the county relief load (covering unemployables) during 1937, as mentioned previously, increased definitely.

New applications for relief are another indication of conditions. It is true that the total number of beneficiaries under the combined State relief administration and Works Progress Administration program in December 1936 was 521,987, while in December 1937 it was 456,811. It is not so much the total number of persons involved, as the rapid rate of increase in recent months, which bears on the subject of these hearings. Let us look at four figures from the weekly number of applications of residents made to the State relief administration throughout the State. Listed briefly, these are:

For week ending October 29, 1937, 6,137 applications.
For week ending October 28, 1937, 7,090 applications.
For the week ending December 31, 1936, 7,043 applications.
For the week ending December 30, 1937, 10,268 applications.

These figures represent a 300 percent more rapid rise in the number of relief applications between October 30, and December 30, 1937, than in a similar period in 1936.

Final, complete reports for December covering the entire State are not yet available but indications point to a proportionately greater increase in the county relief load, particularly in the southern part of the State. The index figures quoted in a previous section covered only employment conditions in manufacturing enterprises. They did not take into consideration the number of people displaced in retail trade and finance.

We have tried to show by a few significant figures that there is a noticeable change for the worse in California. This, we submit, is due to general conditions and to the recent sharp reduction in the Works Progress Administration work-relief program. If we are to provide for the unemployed on a work-relief basis,

assistance in the form of grants-in-aid from the Federal Government is a necessity. Without such aid no State or subdivision in this section of the country can carry on an adequate relief program indefinitely.

THE TRANSIENT PROBLEM IN CALIFORNIA

Relief of transients is such a serious problem in California, that I have chosen to treat with it separately rather than as a part of the general picture. In opening these remarks, I referred to recommendations regarding relief adopted by all community chests and councils in my State in March 1936. These proposals which were forwarded at that time to the President of the United States, to Mr. Harry Hopkins, and to State senators and representatives, made this recommendation regarding transient aid: "The Federal Government should reassume financial responsibility for the out-of-State transient through grants-in-aid to the States and the development of a coordinated program."

Although the transient problem in California is a dramatic one because of climatic conditions and the requirements of agriculture for a large number of unskilled laborers for seasonal work—the thinking in California regarding the care of transients is by no means unique, nor has it changed in the interim. Almost unanimously, every student of the transient problem, every leader in social welfare, and every civic organization which has concerned itself with the question, are united throughout the country in the belief that the financial responsibility for transients who do not possess State residence lies with the Federal Government.

Since the abandonment of the Federal transient program in November 1935, when the responsibility for the care of persons driven from their own homes by want to seek opportunity elsewhere, was thrown into the laps of several agencies, there has been no one organization collecting statistics on the case load. Consequently, it is impossible to estimate accurately the extent of the problem—particularly in view of the fact that in California there has been no provision for the care of one large group of transients since March 1937. Others, though shown to be in want by studies which have been made by various agencies, do not ask for aid because the condition on which it is given necessitates their return home. Consequently, they do not appear in any compilation of totals.

Since June 15, 1935, the California border patrol has been collecting statistics on the number of out-of-State transients in need of manual employment who enter the State in automobiles. These figures obtained from the Federal Farm Security Board in San Francisco show the following:

1935, June 15 to December 31	57,006
1936, January 1 to December 31	97,672
1937, January 1 to November 15	91,445
Total	246,123

The total for 1937 ending November 15 indicates that the number of migrants for the 12 months' period will exceed that of the previous year despite the betterment of drought conditions in the Middle West.

The Federal Farm Security Board estimates that the 246,123 transients represent about 5 percent of the total influx into the State during the period. The border patrol does not collect any statistics on the number of professional and white-collar workers who come to California in search of work.

The Federal Farm Security Board also estimates that between 15 and 20 percent of the total migratory workers in California have been in the State less than 1 year.

TRANSIENT FAMILIES

That transient families which follow the crops in search of employment and are not eligible for county medical and hospital care present a serious health problem is evidenced by A Study of the Health of 1,000 Children of Migratory Agricultural Laborers in California covering the period July 1936–June 1937, made by the California State Department of Public Health cooperating with the Children's Bureau of the United States Department of Labor. I shall not report its findings here, for reasons of time. But it found that 66 percent of the families seen had been in the State less than the 3 years necessary to establish residence, although about 39 percent of these had lost their residence in their home States.

Lacking a Federal program, the California State relief administration has assumed the care of our-of-State transients (those who have been present within the State for less than 1 year) who are classified as employable, with the exception of single men for whom no provision has been made since March 1937. Boys between the ages of 18 and 21 are given assistance. Transients classified as unemployable, exclusive of single men, are cared for in San Francisco by the public welfare department, pending their return home, as are boys between the

ages of 16 and 18. Provision for boys and for "unemployable" transients differs throughout the counties.

Because the rule excluding able-bodied single men went into effect in March 1937, there can be no comparable figures with the previous year. Statistics for the last half of 1937 show an alarming upward trend at the end of the year. For the weeks closing on the dates given below, the number of transients aided by the State relief administration throughout California are:

	Cases
July 29	773
September 2	670
September 30	609
October 28	604
December 2	986
December 30	1517

BOYS

The plight of the homeless boy received the special attention of a committee of the Community Chest of San Francisco early last year. Shocked by reports of conditions under which these youths were forced to live, and alarmed by evidences of delinquency among them, a committee composed of lay people, representatives of private social agencies, the police department, the juvenile court, the National Youth Administration, the Works Progress Administration, and the State and county relief administrations, surveyed the situation in San Francisco.

While the committee realized that any permanent plan for the care of these boys should include health, recreation, and education services, as well as provision for individual adjustment and case work, it recognized that funds could not be provided locally for such care. The best that could be worked out was a cooperative arrangement between the State relief administration, the San Francisco Public Welfare Department and the Society of St. Vincent de Paul whereby the private agency opened a shelter with a capacity for 43 boys. The relief allowance, which now amounts to $5.12 a week for each boy, is paid to the society by the State relief administration for boys between 18 and 21 and by the public welfare department for boys between 16 and 18. The relief allowance does not meet the cost of their care.

Since the shelter opened on May 24, 1937, 700 boys have been cared for. The number in residence on January 7 was 31. The average stay is 3 weeks. About 60 percent of the boys have been returned to their homes by the relief organization. The other 40 percent preferred to continue their wanderings.

The experience in San Francisco is typical of that throughout the State. Any provision for transient boys—other than the inadequate assistance given by the State relief administration—is made by private agencies which can only temporize in the face of a serious social problem and which are financially unable to do more than meet the emergency.

MARITIME WORKERS

A phase of the transient problem which has recently assumed serious proportions in seaports on the Pacific coast is relief for maritime workers who are out of employment. They are men whose very work has precluded their establishing residence, men who are laid off when their ship is unable to get a cargo and ties up, men who—although they may have residence somewhere—move from port to port in search of employment when they are out of work. Many of them are unmarried, and, therefore, ineligible for any kind of aid under the State rule which excludes able-bodied single transient men.

The Shipowners Association of the Pacific reports that on January 4 only 37 coastwise ships were operating while 52 were tied up due to a combination of circumstances.

Most of the boats not operating are tied up in San Francisco because it is headquarters for the companies, and the crews are "on the beach" in that city. According to the association, 30 is the average number of the crew which, in the steam schooner industry alone, would account for 1,560 unemployed men—most of them classified as transients and not eligible for State or county relief.

The Pacific American Shipowners Association reports that movement of intercoastal vessels is less than is normal for the season, and that tie-ups are general along the Pacific coast. Where in former times owners kept the men employed cleaning up in anticipation of securing cargoes, they are now laying them off as soon as the boat ties up and keep on only the captain and the chief engineer. The association estimates that there are more than 2,000 maritime workers out of employment in San Francisco alone.

The district council of the Maritime Federation of the Pacific which claims a membership of 40,000 on the coast estimates that 10,000 are out of work with about 3,000 of these in San Francisco. The district council has organized a relief committee and is making strong representations to State and county relief organizations and to local government officials to secure assistance for their members. Due to this pressure, the State relief administration in California has relaxed its rules to classify as residents men, who may have been at sea for years, but who habitually ship out of California ports.

Between December 27, when the ruling went into effect, and January 7 there were 88 maritime workers added to the relief rolls of the State in San Francisco. Men who shipped out of other ports, either in California or elsewhere, are denied assistance. Also denied aid are workers who come here in hopes of getting a boat out of this port.

To all who have given any consideration to the problem of transient relief, it is apparent that there can be no solution made locally. Even if California and other Pacific coast States, which to some extent are also a mecca for the migrant, were able to finance adequate transient aid, they could not do so in the face of varying standards of relief and different residence restrictions throughout the country.

The transient problem, we believe, is definitely a Federal problem with which no political subdivision can successfully cope. But, providing Federal money is made available, State and county governments can cooperate in working out an intelligent long-time program.

CONCLUSION

In concluding, I want to thank the chairman and members of the Senate Committee on Unemployment Relief for this opportunity to give a résumé of the situation in California. The material I have presented is very inadequate but is the most complete we could assemble on short notice. If there is any additional information you wish, we shall do our best to provide it. I want to emphasize what I said in the beginning, that the proposals of the National Citizens' Committee of the Community Mobilization for Human Needs have the approval of the San Francisco and Los Angeles Community Chests and undoubtedly will be approved by the other chests in the State. And I particularly want to assure your committee that the private social agencies in California stand ready and willing to assist the committee, or any other representatives of the Federal Government, in the solution of a problem that is of the gravest concern to all of us.

Factory employment and pay rolls, excluding fruit and vegetable canning, California

[1923-25=100]

	Employment		Pay rolls			Employment		Pay rolls	
	Unadjusted [1]	Adjusted [1]	Unadjusted [1]	Adjusted [1]		Unadjusted [1]	Adjusted [1]	Unadjusted [1]	Adjusted [1]
1935					1936				
January	95	99	76	81	July	116	116	104	105
February	97	100	79	81	August	120	117	107	104
March	98	100	80	80	September	121	116	107	106
April	100	101	82	82	October	122	116	111	108
May	102	102	83	81	November	119	118	109	109
June	102	102	84	83	December	119	122	111	113
July	103	103	83	84					
August	107	104	89	87	Average	113		101	
September	108	104	88	87	1937				
October	111	106	92	89					
November	108	107	91	91	January	114	119	104	110
December	106	109	92	93	February	117	121	109	111
					March	121	123	118	118
Average	103		85		April	124	126	122	122
					May	126	126	119	117
1936					June	126	126	120	118
					July	126	126	119	120
January	102	107	85	91	August	129	125	124	120
February	101	105	86	88	September	125	120	117	116
March	104	106	94	94	October	126	120	121	118
April	107	108	97	97	November	119	118	111	111
May	111	111	100	98	December				
June	111	111	102	100					

[1] For seasonal variation.

Source: Federal Reserve Bank of San Francisco, division of research.

Indexes of seasonal variation

	Employment	Pay rolls		Employment	Pay rolls
January	96	94	August	103	103
February	97	98	September	104	101
March	98	100	October	105	103
April	99	100	November	101	100
May	100	102	December	97	98
June	100	102			
July	100	99	Average	100	100

TABLE 1.—*Index numbers of employment, pay rolls, and average weekly earnings in 950 identical representative manufacturing establishments; total for the State, 1925–35, as revised February 1936*

[Base: Monthly average for 1926=100]

EMPLOYMENT

Months	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
January	86	89	94	86	96	92	74	60	54	65	69	69	74
February	86	89	94	88	97	93	74	60	55	66	70	69	78
March	92	90	94	95	99	92	76	59	55	72	71	71	81
April	93	96	101	97	108	96	79	63	64	74	79	77	89
May	92	98	97	94	103	91	77	60	62	73	76	76	86
June	94	101	98	97	104	93	75	61	64	74	77	77	86
July	104	110	103	110	110	93	78	63	68	78	82	82	94
August	107	115	110	113	118	105	87	72	82	94	95	97	103
September	104	112	108	110	113	102	77	68	91	82	91	91	97
October	99	105	99	105	108	91	70	65	78	79	81	84	89
November	97	100	92	99	102	83	65	60	70	72	74	77	81
December	98	95	89	96	94	77	62	56	67	70	71	76	------
Average	96	100	98	98	104	92	74	62	68	75	78	79	------

PAY ROLLS

January	86	88	95	88	110	98	72	50	39	49	54	58	68
February	88	90	98	92	103	98	74	50	40	51	56	58	74
March	92	92	97	95	105	95	74	50	39	55	57	64	89
April	93	97	104	99	111	98	74	51	43	54	61	66	86
May	93	98	103	98	110	94	73	48	45	56	60	67	84
June	94	101	100	99	109	95	70	48	47	56	61	68	84
July	99	101	99	102	115	92	67	46	48	54	63	70	91
August	104	114	107	115	122	103	74	51	55	68	74	81	98
September	101	110	109	113	116	99	65	47	62	58	69	77	90
October	100	108	101	108	115	89	61	47	54	58	66	76	87
November	98	102	93	100	105	77	57	43	51	54	62	71	77
December	94	98	91	100	101	74	53	41	50	54	62	72	------
Average	95	100	100	101	109	92	68	48	48	56	62	69	------

Source: Division of Labor Statistics and Law Enforcement, Department of Industrial Relations, State Building, San Francisco.

Employment (exclusive of canning [1]) in California manufactures

[Index numbers,[2] 1926 average=100]

Year	January	February	March	April	May	June	July	August
1921	81.6	80.0	80.9	61.6	81.4	78.6	76.1	76.9
1922	72.2	75.3	77.6	79.8	81.2	81.3	81.8	84.2
1923	85.1	87.9	86.0	96.3	97.5	99.9	102.4	104.9
1924	92.4	93.7	94.0	96.5	97.0	93.5	88.3	88.3
1925	91.2	91.3	92.2	93.7	95.0	95.5	96.8	97.7
1926	94.0	94.0	95.2	97.7	99.9	99.5	101.1	103.0
1927	98.6	99.4	99.9	99.8	100.7	100.8	99.3	100.0
1928	92.1	93.7	94.3	96.0	98.1	99.0	98.8	102.6
1929	103.3	105.5	106.6	107.2	109.4	109.6	111.9	112.3
1930	101.3	109.9	99.6	97.2	96.6	95.8	93.5	94.0
1931	82.5	81.9	82.0	82.7	82.5	80.0	78.6	78.2
1932	67.9	67.9	67.2	68.5	67.4	66.3	66.4	67.9
1933	62.6	62.6	61.8	64.8	66.0	68.3	71.2	78.2
1934	76.4	78.7	81.8	83.3	84.8	85.3	85.1	89.7
1935	85.5	87.6	88.5	89.6	92.0	91.7	92.3	96.4
1936	89.1	89.9	92.2	95.7	97.4	97.9	101.5	107.5
1937	96.0	100.0	104.3	108.7	108.3	107.3	109.6	112.5

Year	September	October	November	December	Average	Average number wage earners
1921	76.8	77.2	74.8	72.2	78.2	179,329
1922	84.8	86.0	83.9	84.5	81.1	[3] 185,925
1923	108.3	102.0	99.0	93.6	96.5	221,317
1924	89.9	92.8	90.5	93.5	92.5	[3] 212,241
1925	98.7	100.1	99.2	97.3	95.7	219,604
1926	105.4	106.1	103.5	100.3	100.0	[4] 229,389
1927	99.3	100.3	96.8	94.8	99.2	[5] 227,526
1928	104.9	106.8	105.3	103.3	99.6	[4] 228,423
1929	111.4	112.3	109.4	103.7	108.5	248,993
1930	93.8	93.1	89.5	84.8	95.1	[4] 218,084
1931	77.4	75.3	72.4	69.7	78.6	180,301
1932	68.8	69.2	66.7	64.4	67.4	[4] 154,566
1933	82.5	82.5	79.5	77.9	71.5	163,974
1934	91.0	91.2	87.1	86.2	85.1	[4] 195,116
1935	96.2	96.2	94.2	92.0	91.8	[6] 210,665
1936	106.2	105.0	100.2	99.0	98.5	[6] 225,885
1937	109.8	107.3	101.0	[7] 96.3	[7] 105.1	

Research department, California State Chamber of Commerce. Economic Survey Report No. 12, series 1937-38 (mimeographed).

[1] Actual numbers of wage earners in the canning and preserving industries (canned and dried fruits and vegetables; preserves, jellies, fruit butters, pickles, and sauces; and canned and preserved fish, crabs, shrimps, oysters, and clams) deducted from the totals for all industries, for both census and the original data used to construct the monthly index.

[2] Index numbers adjusted to conform to the trends of average number of wage earners as reported in the Census of Manufactures, issued biennially.

[3] Estimates.

[4] Estimates secured by adjusting the data used to conform to the biennial census.

[5] Poultry killing and dressing, not enumerated in 1927, was unofficially estimated at 271, which was added to the census figure.

[6] Subject to revision when 1937 data are available.

[7] Estimated.

Sources: Data used to compile the index: 1921 and 1923, U. S. Bureau of the Census "Census of Manufactures" (1921 and 1923); 1922 and January–April 1924, estimates based on available data; May 1924 to date, California Division of Labor Statistics and Law Enforcement; average number of wage earners for odd years, U. S. Bureau of the Census, "Census of Manufactures," except as noted. (Coffee and spices, motion pictures, and peanuts, walnuts, etc., processed and shelled, not included, in recent Census of Manufactures were deducted from earlier enumerations to make the data comparable.)

Continuation of index numbers for employment (excluding canning) in California manufacturers (partial), adjusted for seasonal variation

	January	October	November	December
1935	89.2	92.5	93.6	93.6
1936	92.8	101.0	99.6	100.7
1937	100.1	103.2	100.4	[1] 98.0

[1] Estimated.

Employment in California manufactures

[Index numbers,[1] 1926 average=100]

Year	January	February	March	April	May	June	July	August	September	October	November	December	Average	Average number of wage earners
1921	74.0	72.8	73.8	75.2	74.6	74.6	75.9	83.2	81.4	77.1	72.0	67.3	75.2	194,107
1922	67.0	69.7	73.6	78.6	77.4	79.8	86.0	92.9	88.7	83.6	79.8	78.7	79.6	[2] 205,692
1923	78.9	81.4	81.3	91.8	91.2	95.0	103.0	109.5	105.4	99.9	94.7	87.7	93.3	241,007
1924	86.0	87.1	89.5	91.9	91.9	91.1	94.7	95.4	92.2	89.8	86.2	88.1	90.3	[3] 233,139
1925	85.9	85.7	91.1	92.4	91.6	93.3	103.8	106.3	103.6	98.8	96.5	92.3	95.1	245,830
1926	88.8	87.8	90.1	96.3	97.7	100.7	109.9	115.1	111.6	105.2	100.1	95.2	100.0	[3] 258,288
1927	93.8	94.1	94.1	101.3	97.3	97.6	103.4	110.6	108.8	100.1	93.3	89.9	98.7	[4] 255,034
1928	86.9	89.5	96.7	99.2	95.9	99.5	102.4	115.8	113.3	108.0	102.4	99.6	100.8	[3] 260,376
1929	99.3	101.4	102.9	112.2	107.2	108.6	115.0	122.9	118.1	113.4	107.2	99.4	109.0	281,498
1930	96.6	97.7	96.5	101.5	96.2	97.8	98.4	110.5	108.1	95.9	87.3	81.5	97.3	[3] 251,400
1931	78.3	78.3	79.8	82.9	81.4	79.4	81.9	92.1	81.7	74.1	69.3	66.2	78.8	203,491
1932	64.5	64.5	64.0	68.7	65.6	66.4	68.5	77.7	73.7	70.4	65.2	61.8	67.6	[3] 174,565
1933	60.2	60.6	59.9	69.0	67.0	69.4	74.4	89.5	99.4	86.8	79.0	76.2	74.3	191,861
1934	74.7	76.2	83.8	86.2	85.7	87.5	92.1	110.0	97.4	94.0	87.0	84.6	88.3	[3] 227,972
1935 [5]	83.4	85.4	86.5	96.0	92.5	93.7	99.7	114.4	110.6	99.8	92.4	89.5	95.3	246,223
1936 [5]	86.5	86.8	89.0	97.0	96.1	97.9	104.0	122.6	114.7	106.2	97.1	95.6	99.4	[3] 256,846
1937 [5]	92.6	97.0	100.6	110.1	106.5	106.1	114.8	124.8	118.0	108.7	99.1	[6] 97.0	[6] 106.4	----------

Research department, California State Chamber of Commerce. Economic Survey Report No. 11, Series 1937–38.

Sources: Data used to compile the index: 1921 and 1923 U. S. Bureau of the Census, Census of Manufactures (1921 and 1923); 1922 and January–April 1924 estimates based on available data; and May 1924 to date, California Division of Labor Statistics and Law Enforcement; average number of wage earners, for odd years, U. S. Bureau of the Census, Census of Manufactures, except as noted. (Coffee and spices, motion pictures, and peanuts, walnuts, etc., processed and shelled, not included in recent Census of Manufactures, were deducted from earlier enumerations to make the data comparable.)

[1] Index numbers adjusted to conform to the trends of average number of wage earners as reported in the Census of Manufactures issued biennially.
[2] Estimates.
[3] Estimates secured by adjusting the data used to compile the index to conform to the biennial census figures.
[4] Poultry killing and dressing, not enumerated in 1927, was unofficially estimated at 271, which was added to the census figure.
[5] Subject to revision when the 1937 census data become available.
[6] Estimated.

Business Conditions in California, 1937

[Research Department, California State Chamber of Commerce]

The year 1937, considered as a whole, was one of general business prosperity. The principal monthly indices, corrected for seasonal influences, reveal that business was very active until the late summer months, after which activity sagged. One of the primary causes for the break-down in business was the maladjustments of costs and prices. Despite the decline, the year was one in which the total volume of business was the greatest since 1929.

BASIC INCOME AND POPULATION

Estimates based upon preliminary statistics from various sources indicate that the State's 1937 income from production will aggregate approximately $2,300,000,000, as compared with $2,133,000,000 for 1936, $1,362,000,000 for 1933, and $2,600,000,000 for 1929. The increase from 1936 to 1937 was 8 percent. The relative proportions of the total income from the various sources were: Agriculture, 29.3 percent; mining, 16.1 percent; lumbering, 2.3 percent; fisheries, 1 percent; value added by manufacture, 43.5 percent; and motion pictures (cost of production) 7.8 percent. The total for the extractive industries represented 48.7 percent of the grand total.

California's population reached 6,576,000 on January 1, 1938, according to estimates compiled by the California Taxpayers' Association. This represents an increase of 2.2 percent over January 1, 1937. Rural California experienced a heavy migration from other farm areas. Migrants in need of manual employment, entering California by motor vehicles through the State's border stations, aggregated about 95,000 persons during 1937.

PRODUCTION AND EMPLOYMENT

Crude-oil production continued to increase during 1937 and the total for the year was 11 percent greater than for 1936. Cement output was 12.2 percent less than for 1936, the record year since 1928. Lumber production increased sharply during the first half of the year and then receded, owing to reduced demand from the building industry, a decline in unfilled orders, and higher mill stocks. For the year as a whole, however, lumber output showed a moderate gain over 1936.

A high rate of manufacturing activity existed during the first three quarters and then slackened during the final quarter. Employment reached the best level since 1929. The slowing down of industry during the final months of 1937 has increased unemployment more than normal seasonal expectations. A large number of unemployed in other States have drifted to California, thus increasing the financial problems for most urban communities. The recent drop in pay rolls was somewhat relieved by a reduction in food prices.

The Federal unemployment census taken between November 16 and 20 revealed that approximately 258,000 persons were unemployed and wanted work and that 91,000 were working at Works Progress Administration, Civilian Conservation Corps, or other emergency work in California. This includes only those unemployed who registered voluntarily. Since then workers have been laid off because of seasonal slackening in activity and business recession which has increased unemployment. The Social Security unemployment insurance which became effective January 1 will, it is hoped, somewhat cushion this unemployment situation.

Employment in California manufacturing establishments for the year averaged about 275,000, or 7 percent more than for 1936, 43 percent greater than for 1933, but still 2.4 percent under that of 1929. Total payroll reached approximately $366,000,000 for 1937, or 18 percent greater than for the previous year, a gain of 91 percent over 1933, but still 8.8 percent less than 1929.

AGRICULTURE

California's 1937 farm income was approximately 7 percent greater than for the previous year, due primarily to higher average prices and increased sales of farm products. The State's cash farm income, including Government payments, as reported by the United States Bureau of Agricultural Economics, reached $660,232,000 as compared with $616,227,000 for 1936. The increase in income from crops was 4.7 percent and from livestock and livestock products 10.9 percent. The total farm value of fruits and nuts, according to the California Cooperative Crop Reporting Service, aggregated $205,255,000, a gain of 12.5 percent over the previous year. The combined farm value for field crops was $185,308,000, an increase of 2.5 percent. Truck crops reached $90,656,000, an increase of 3.8 percent over 1936.

The general level of prices received by California farmers averaged higher for 1937 than for 1936. The index of farm prices for 12 livestock and livestock products advanced about 7 percent, 4 grains 27 percent, 5 field crops 11 percent, and 3 fruits—oranges, lemons, and apples—39 percent.

The threat of increased transportation rates on agricultural products if of vital importance to California farmers and their future income in view of State's distance from the eastern markets.

Farmers paid the highest wage rates to farm labor in 7 years. The October rate was $2.70 per day without board, as compared with $2.20 for the same month in 1936, an increase of nearly 23 percent. In spite of California's extreme fluctuations in labor demands, there were no serious excesses of labor in the fields and, with few exceptions, no real shortages. There were also a minimum of labor disturbances as contrasted with those of former years.

CONSTRUCTION

The improvement in building activity ceased after the summer months. Rising construction costs and high taxes and interest rates had an adverse effect on the rate of building activity. Construction costs show a gain of about 10 percent over the 1936 average, and were from 17 percent in Los Angeles to 22 percent in San Francisco higher than in 1933. Rents from the middle of 1936 to the middle of 1937 increased from 3 to 14 percent.

Any stimulating effect on building from the rise in rents was more than offset by the depressing influence of advancing building costs. There were some indications during the closing months of 1937 that the rise in construction costs will soon be halted. The costs of some building materials have already shown moderate declines.

The State chamber's index of value of residential and nonresidential building permits for 51 California cities, corrected for seasonal influences, showed a fairly steady increase until October and then dropped sharply to a lower level. For the year as a whole total value of permits reached $184,614,000, a gain of about 7½ percent over 1936 and 247.3 percent over 1933, but still 26.2 percent under the total for 1929. Excluding Los Angeles and San Francisco, the total for the remaining 49 California cities showed slightly more favorable percentage improvements. An analysis of new residential construction for the 25 principal California cities showed that the total value for 1937 exceeded that for 1936 by 27 percent. Because of the recent recession in business activity, the Federal Government is proposing to explore the possibilities of improving the financial machinery to revive construction and therefore stimulate recovery.

TRADE AND DISTRIBUTION

The sustained high level of retail trade, when many other lines of activity reflect slackening tendencies, is a bright spot in the current business situation. The value of retail sales of department, apparel, and furniture stores was about 6 percent more in 1937 than for 1936.

Higher farm income portends very satisfactory support to invigorate the retail trade for the next few months.

Employment in the retail trade, based upon available State figures, averaged about the same in 1937 as in 1936. Pay rolls were about 8 percent more. Employment in wholesale establishments averaged 3.6 percent and pay rolls 12.5 percent more than in 1936.

New passenger-car sales gained only 3.3 percent from 1936 to 1937 whereas new commercial-car sales increased 6.8 percent. Net taxable gasoline sales reported to the board of equalization during 1936 aggregated 1,626,000,000 gallons. Estimated on the basis of the first 11 months' sales the 1937 total will reach approximately 1,720,000,000 gallons, a gain of nearly 6 percent over the previous year's sales.

Exports and imports through the California customs districts advanced sharply during February and March, after the Pacific coast maritime strike, and then receded during the remainder of the year. For the year as a whole, however, both exports and imports showed a slight gain over 1936.

Distribution, as reflected by the State chamber's seasonally corrected index of carloadings, reached the highest levels during the spring and summer months of 1937 and then receded to lower levels. Total loadings for the year, however, gained 6.7 percent over 1936 and 57.4 percent over 1933. Farm shipments by rail were about the same in 1937 as for the previous year while loadings of industrial products and merchandise gained 8.5 percent.

The seasonally corrected index of total bank debits for 15 California cities shows a fairly steady advance to 1936 but the general trend during 1937 was moderate downward. The total for the year was 7 percent greater than for 1936. Excluding the figures for San Francisco and Los Angeles, which are somewhat affected by stock-market transactions, the trend of the index for the remaining 13 cities was slightly upward, indicating that California business conditions were generally favorable during most of 1937.

Basic conditions in California are economically sound for a return to improvement in business. National economic and political developments, however, will strongly influence that intangible but powerful thing called "sentiment" which, in turn, will determine the course of business during the next few weeks or months.

I. Statement showing total beneficiaries of Works Progress Administration, State Relief Administration, and local county relief administration in California for the last 4 months of 1937 and 1936 by months and agencies

Agency	September	October	November	December
1937				
State relief administration	134,165	123,647	141,933	[1] 195,000
Works Progress Administration	239,515	242,051	249,792	[1] 261,811
Subtotal	373,680	365,698	391,725	[1] 456,811
Counties	71,976	72,341	76,141	[1] 81,441
Total	445,656	438,039	467,866	[1] 538,252
1936				
State relief adminstration	96,089	93,609	115,165	157,587
Works Progress Administration	397,827	373,609	367,177	364,400
Total	493,916	467,218	482,342	521,987

[1] Estimate.

County figures not available.

These figures represent the total number of family persons on direct relief or benefiting through Works Progress Administration programs.

II. Statement showing total beneficiaries of Works Progress Administration and the California State Relief Administration for the first 3 months of 1937

Agency	January	February	March
State relief administration	206,698	237,123	231,864
Works Progress Administration	393,265	399,589	414,100
Subtotal	598,963	636,712	645,964
Counties	81,667	78,158	79,996
Total	680,630	714,870	725,960

The figures represent the total number of family persons on direct relief or benefiting through Works Progress Administration programs.

California State relief administration total weekly resident applications (as reported from State headquarters) by weeks, November and December, 1936 and 1937

Week ending—	Number of applications	Week ending—	Number of applications
1937		*1936*	
Dec. 30	10,268	Dec. 31	7,043
Dec. 23	11,694	Dec. 24	8,223
Dec. 16	13,541	Dec. 17	9,551
Dec. 9	12,726	Dec. 10	9,669
Dec. 2	11,959	Dec. 3	9,425
Nov. 25	9,051	Nov. 26	7,813
Nov. 18	10,597	Nov. 19	10,505
Nov. 11	7,229	Nov. 12	7,822
Nov. 4	7,861	Nov. 5	6,176
Oct. 28	7,060	Oct. 29	6,137

The CHAIRMAN. You mean that your associates would approve the proposal that was presented by Mr. Taft this morning?

Mr. HAAS. That is correct.

The CHAIRMAN. For the handling of the relief problem?

Mr. HAAS. That is correct.

The CHAIRMAN. I have one or two questions, only. Is this unemployment among seamen due in any measure to the labor controversies that have prevailed there?

Mr. HAAS. I think in part, only: That is, to those normally handling lumber products of Oregon.

The CHAIRMAN. It is due, then, partly to the condition of the lumber industry?

Mr. HAAS. Yes, I think so.

The CHAIRMAN. It is a temporary condition, is it not?

Mr. HAAS. We trust and hope so.

The CHAIRMAN. Now, as to the statement you made with reference to boys, having 31 at this time that you are caring for, and referring to the number that you sent home——

Mr. HAAS. About 60 percent of them are returned home. I did not mention that part, but I have the figures.

The CHAIRMAN. If you had a transient system and Federal aid so that a boy of that age, who wanted to see the world, and that is what he is doing, isn't he—he is just seeing the world?

Mr. HAAS. In some cases he is working.

The CHAIRMAN. Would it, in some cases, be difficult to get that boy to go back home if he knew that when he made the next city, all that he had to do was to present himself at headquarters, and he would get a ticket for the next place?

Mr. HAAS. I think that the Federal aid should indicate very clearly that the boy should be sent home.

The CHAIRMAN. I know it is a terrible problem. I imagine from your interest in the work that you have given thought to it: but that did develop in many places under the transient system, and the ease with which he could procure transportation and keep going on made it very difficult to send a fellow home. I do not suppose that there is anything that can be done about that, however.

Mr. HAAS. I imagine it could be improved in some degree, but it could not be made perfect.

The CHAIRMAN. We are very glad to have you present your views, Mr. Haas.

(Witness excused.)

The CHAIRMAN. The committee will stand adjourned until 10 o'clock tomorrow.

(At 3:50 p. m., January 13, 1938, adjourned until 10 o'clock tomorrow, January 14, 1938.)

UNEMPLOYMENT AND RELIEF

FRIDAY, JANUARY 14, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, and Hatch. Alan Johnstone, Esq., counsel for the committee.

STATEMENT OF F. G. TRYON, HEAD OF MARKET STATISTICS UNIT, NATIONAL BITUMINOUS COAL COMMISSION

The CHAIRMAN. Mr. Tryon. You are with the Bituminous Coa Commission, Mr. Tryon?

Mr. TRYON. Yes, sir. I am head of the so-called Markets Statistics Unit of the Commission.

The CHAIRMAN. Are you familiar with the resolution under which the committee is acting?

Mr. TRYON. Only in very general terms, sir.

The CHAIRMAN. We have asked you to present to the committee information about the trend of production and enployment in the bituminous coal mining industry. Are you prepared at this time to give us information as to that subject?

Mr. TRYON. I am, sir.

The CHAIRMAN. Please do so. If you have a prepared statement which you desire to read, you may proceed with it.

Mr. TRYON. I have a prepared statement which, if I may, I will refer to.

The CHAIRMAN. That will be still better.

Mr. TRYON. I should like to make it clear, Mr. Chairman, that what I have to say relates solely to the soft-coal industry; that is, to bituminous coal mining, including small amounts of lignite. The anthracite industry in Pennsylvania is an entirely separate economic interest, and my Commission—that is, the National Bituminous Coal Commission—naturally, has no responsibility for, and no jurisdiction over, anthracite.

In order to understand the trends of production and employment in bituminous coal mines, it is essential to bear in mind that hard times in this industry began soon after 1923.

From 1924 to 1929, when American business as a whole experienced abounding prosperity, the bituminous-coal industry was characterized

by widespread unemployment, declining labor standards, and heavy financial loss.

The war boom had increased the capacity of an already overdeveloped industry. High prices of fuel, associated with the wartime shortage, had encouraged the use of substitutes, and more important, had directed the attention of consumers to economies in the use of fuel. As a result, an industry which for more than 100 years had become used to a steadily expanding market which grew like a sum at compound interest, now found itself faced with a stationary demand. The consumption of bituminous coal did not actually decline during the decade from 1919 to 1929, but it failed to show any of the increase which the industry had up to that time been geared confidently to expect.

As a result of these factors, the soft-coal industry was forced into a long and difficult period of liquidation which began in early 1924. Between 1923 and 1929 more than 3,200 mines were forced to close—commercial mines, not wagon mines. Some of them were doubtless worked out, but the great majority were prematurely abandoned, and in many of them the workings have since been so flooded or caved that for all practical purposes the coal left behind is irrecoverable, resulting in the waste of hundreds of millions of tons of our finest coals.

During this period more than 200,000,000 tons of mine capacity was forced out of business, most of it a complete loss to the investors. According to the Federal income-tax returns of income, the bituminous-coal industry operated at a net loss, even in the boom years 1925 to 1929. In 1925, according to the income-tax returns, the deficit for the industry, as a whole, was $22,563,000. In 1928 the deficit was $24,508,000; and even in 1929, the deficit was $11,822,000.

Employment suffered a corresponding decline during this period. In 1923 the number of men on the rolls, according to the official statistics of the United States Bureau of Mines, was 705,000. By 1929 the number had fallen to 502,000. During this 6-year period, therefore, a total of 203,000 men lost their jobs.

With the coming of the general depression of all business, after the stock-market crash of October 1929, the losses suffered by both labor and capital engaged in the bituminous-coal industry naturally increased. There were more bankruptcies. Labor standards, which had been declining since 1923, now fell to still lower levels. In 1923 the average daily earnings of the men employed in the industry were $6.74. By early 1933 the average had fallen to $3.36, and many mines, especially in the southern mountains, were paying as low as $2 a day, and some paying even less than that. The intensified competition had finally resulted in a virtual break-down of the machinery of collective bargaining, and the area covered by union wage agreements had shrunk from 70 percent of the industry in 1923 to barely 20 percent in early 1933.

The low point of the depression in this industry was reached, as in most other American industries, in late 1932. Production dropped from 535,000,000 tons in 1929 to 309,000,000 tons in 1932. The number of men on the rolls dropped from 502,000 in 1929 to 406,000 in 1932.

A great many of the mining communities were seriously impoverished, and it was early recognized that the coal fields presented a

special problem in relief. In 1931, 2 years before the Federal Government accepted any general responsibility for relief, President Hoover asked the American Friends' Service Committee to undertake the feeding of children in the coal-mining areas, and for a time this organization was feeding 45,000 miners' children in 690 communities scattered over six of the soft-coal States.

Under the Federal Emergency Relief Program, also, the relief load was found to be exceptionally heavy in the coal fields. Out of the 88 counties classified as chiefly engaged in mining bituminous coal, there were 22 counties in which more than 24 percent of the population was on relief, during the years 1933–34. This compares with an average relief load of 11.6 percent for the country as a whole. In some of the coal counties relief loads averaged as high as 40 percent.

Faced with these conditions, bituminous-coal mining was among the first industries to avail itself of the facilities for collective action offered by the National Industrial Recovery Act. It is generally agreed by impartial students that both mine workers and employers were materially benefited under the N. R. A. Bituminous Coal Code.

Hours of labor were shortened. Wages were greatly increased. The system of collective bargaining was extended to practically all fields of the country, and the heavy money losses suffered by employers were reduced, though not entirely overcome, during the period of the code.

Since the middle of 1933, down to November of 1937, there has been a gradual but steady recovery in the coal industry. From the low point of 309,000,000 tons in 1932, the production increased to 359,000,000 in 1934, 372,000,000 in 1935, and 434,000,000 tons in 1936. The year 1936, therefore, showed an increase of 40 percent over the depression though, even though it was still 18.5 percent below 1929.

In 1937 production continued to run ahead of the year before, down to the middle of October. The week-to-week fluctuations during the year are shown in the Coal Commission's weekly report, and I note that the secretary of the committee has reproduced, on large scale, the diagram in the last issue of that report. If I may be permitted to do so, I might refer directly to that diagram.

The CHAIRMAN. Yes.

Mr. TRYON. This diagram is a picture of the current fluctuations of soft-coal production during the year 1937 and during certain previous years which are added for comparison. Each one of the vertical divisions in the chart represents a week.

The heavy black line represents the total weekly production of soft coal during the year 1937. The lighter solid line represents the total production of soft coal during the year 1936. The dotted line, which will be seen at the top of the diagram, represents the record for 1929.

The CHAIRMAN. The heavy line indicates the soft coal production?

Mr. TRYON. Yes.

The CHAIRMAN. For what year—1937?

Mr. TRYON. Yes.

The CHAIRMAN. In what month is that decrease—November?

RECESSION IN COAL INDUSTRY

Mr. TRYON. Yes. The industrial recession began to be apparent in this industry about the middle of October, and thereafter there was a sudden drop.

The CHAIRMAN. Then there seems to be a very great increase for the early part of December. Is that right?

Mr. TRYON. This increase in December was short-lived. It was spurt of buying, partly to increase stocks and partly in anticipation of the possibility of an increase in prices under the Government's minimum prices.

The CHAIRMAN. Might not that also account, in a measure, for an overstocking, which necessitated the decrease that followed? Not having in mind the demand but having in mind the possible increase in prices, they were then buying more than their demands warranted, I assume; is that right?

Mr. TRYON. May I refer to the trend of stocks throughout the year in an effort to answer your question, Mr. Chairman?

The CHAIRMAN. Yes, go ahead.

Mr. TRYON. In the first quarter of the year production was running far ahead of 1936. Throughout that first quarter consumers of bituminous coal were purchasing coal for storage. They were anticipating the possibility, that, on the expiration of the wage agreement March 31, 1937, there might be a suspension of mining, and they thought it advisable to increase their reserves on hand. Approximately 10,000,000 tons of coal were added to consumers' stocks between January 1 and March 31. The total stocks on March 31, 1937, according to the reports of the Bureau of Mines, since taken over by the Bituminous Coal Commission, were 53,100,000 tons. This was not unduly large, by comparison with stocks accumulated on some previous occasions when wage agreements were to expire.

On April 1, 1927, when the Jacksonville wage agreement was due to expire, consumers had built up reserves of 75,000,000 tons. Fortunately, on April 1, 1937, the wage agreement was renewed, and there was no suspension of mining. Consequently, for the next 2 months consumers were drawing heavily on their stocks, and during the months of April and May the drop in production, which is visible on the chart, is largely explained in this way.

On July 1 stocks of consumers had fallen to 43,900,000 tons. Since then there have been small increases, which are usual in the fall of the year.

I do not think this sudden increase in production in early December has very great significance, except to show that the demands were declining steadily after October, and consumers were, at this particular moment, induced to buy a little more in that 2 weeks' period, in anticipation of the minimum prices which it was expected the Government would announce.

The CHAIRMAN. They chose to purchase more than they had since March?

Mr. TRYON. They did, during that week.

The CHAIRMAN. Then the following week there was a decrease.

Mr. TRYON. A very sharp decrease. The net change in stocks over the year, as a whole, was small.

The total output for the year 1937, according to the Commission's new year's estimate, was 440,265,000 tons. This is an increase of 1.4 percent over 1936. Up to the time the business recession appeared in mid-October, the output for 1937 was running 8 percent ahead of 1936.

The output in December was 36,226,000 tons. It may afford perspective to compare that figure with the corresponding months of 1928 and 1932. In December 1928, before the onset of the depression, the production was 44,083,000 tons; and in December 1932, it was 31,522,000 tons. The output of December 1937 was, therefore, 17.6 percent less than in 1928 and 15 percent greater than in 1932. In this connection it is important to note that the weather was exceptionally mild last December, and the demand for house heating was correspondingly reduced.

So much for the trend of production. Employment also has shown a substantial recovery since the bottom of the depression. The average number of men on the pay rolls of the mines, according to the official statistics of the United States Bureau of Mines, increased from 406,000 in 1932 to 458,000 in 1934, to 462,000 in 1935, and to approximately 472,000 in 1936. The increase over the low point of the depression is due chiefly to the recovery of demand attendant on revival of business, but partly to the spreading of work through shortening of the working week. Prior to the N. R. A. Code, the industry was generally operating on a nominal 48-hour week of six 8-hour days. (Numerous mines actually worked longer than 8 hours.) The N. R. A. Code reduced the hours to 40 and later to 35 hours per week. There has been no adequate study of the extent to which the shortening of hours acted to spread employment, but it seems to have had some effect in that direction.

The records of employment for 1937 are still only fragmentary, but, judging from such indicators as are now available, the average number of men on the rolls during the whole year 1937 was slightly higher than in the year 1936. The monthly reports of the United States Bureau of Labor Statistics, which are collected from a sample list of a large number of representative mines, indicate that the number on the rolls in the first 11 months of 1937 averaged 2.3 percent higher than in 1936. Employment, however, began to decline after October, whereas it normally increases at this season of the year. In November 1937 the Bureau of Labor Statistics index shows 0.2 percent fewer men on the rolls than in November 1936.

The picture, however, is by no means uniform. In some fields, such as West Virginia and Colorado, employment in 1937 showed an increase over 1936, and in some, such as Illinois, it showed a decline.

It is not yet possible to compare accurately the number of men now on the rolls of the industry against that in 1929. No records for December 1937 have yet come in. There are many fields from which no reports have been received throughout the year. It is clear, however, that the average levels of employment in 1937 must have fallen some 25,000 to 40,000 short of the numbers on the rolls in 1929. Moreover, it should be remembered that in this industry, even 1929 was marked by an unfortunately large number of unemployed.

All statistics of the number of men on the rolls have to be viewed in the light of the intermittent operation which is characteristic of coal mines. The industry is marked by much part-time idleness, or

"unemployment within employment." The custom of the industry is for a mine to maintain a normal crew, as long as it runs at all, and to take up the slack of fluctuating demand by operating 1 day or 2 days a week instead of 4 days or 5 days. In 1935 the bituminous mines of the country operated on the average 179 days and in 1936 about 200 days. The potential full-time working year, under the present 5-day week of the union wage agreement is 261 days. This means that on any one day a substantial part of the man-power on the rolls of the industry is likely to be idle, the amount of the idleness varying with the market and with the season of the year.

The CHAIRMAN. The year 1929 was a good year.

Mr. TRYON. It was, of course, a very good year for business as a whole.

The CHAIRMAN. But in that year there was a large number of unemployed in the bituminous-coal fields.

Mr. TRYON. That is a fact; yes, sir.

The CHAIRMAN. You say that last year, even though there was an increase over previous years, it was still 25,000 to 40,000 short of the numbers on the rolls in 1929.

Mr. TRYON. That is a fact.

The CHAIRMAN. So, as a matter of fact, regardless of the situation existing in other fields, there is a permanent problem in the coal fields, in the bituminous coal fields; a permanent problem of unemployment, is there not?

Mr. TRYON. Yes; visualizing "permanent" in terms of——

The CHAIRMAN. Based upon the figures from 1929 to this date.

Mr. TRYON. Yes. It is clear that if the demand for bituminous coal returned to former prosperity levels there would remain a residue of unemployed and unabsorbed workers.

The CHAIRMAN. The reduction of hours has helped it to some extent, but it still remains a very serious problem.

Mr. TRYON. I think that is a fair statement, sir.

The CHAIRMAN. Do you think that any further reduction of hours could be made? You would not advocate a further reduction in the number of hours, would you?

Mr. TRYON. That is a question of policy about which my Commission hardly has the responsibility, sir.

The CHAIRMAN. I think that is a fact.

Senator MURRAY. The introduction of machinery in the industry has had a very large effect in producing unemployment, has it not?

Mr. TRYON. It has, undoubtedly, been a contributing factor, but the principal cause for the drop in the number of employed which are cited was the change in market conditions.

Senator MURRAY. Have you any figures on unemployment in the western fields?

Mr. TRYON. I do not have here, sir, specific data on that. I would be glad to prepare for the record a comparison of the numbers on the rolls in 1923 and 1929, and in a recent year, summarized by States.

CONSUMER-CONTROLLED COAL

Senator MURRAY. It is a fact, is it not, that in some sections of the country corporations that previously bought a large amount of coal have gone into the coal business themselves, and are producing coal through machinery that eliminates a great deal of workers?

Mr. TRYON. Your question raises two points, sir. One of them is the question of whether consumers of coal have gone into the business of producing coal on their own account. There always have been, during the period covered by our records in the last 20 years, important consumers of coal who produced most of their requirements, and such statistical studies as have been made indicate that this proportion of so-called consumer-controlled coal is approximately 23 percent of the total output. I do not think there has been any noticeable change in that direction in the period since the war. The high prices associated with the war furnished a very strong incentive for consumers to acquire sources of supply of their own.

There have been fluctuations in the ranks of consumer-owned coal companies but I do not think there has been any long-time change in that direction in the period since about 1923.

The second question you asked relates to the introduction of machinery. That has proceeded at different rates in different parts of the country, and the effects have been correspondingly varied.

MECHANIZATION IN COAL MINES

Senator MURRAY. There are some cases—I know of one instance in Montana where the Northern Pacific Railroad has gone into the coal business, and it has established a big plant in the eastern end of our State, where machinery is used, and very few employees are used in the mines there. They just scoop it out with these big scoop shovels, and load it on to the cars, all of which is done entirely by machinery.

Mr. TRYON. You are referring evidently, to the Colstrip mines?

Senator MURRAY. Yes. That is a striking example of what machinery has done in the way of eliminating employment.

Mr. TRYON. That is the most striking example, I believe, on the North American continent of the use of coal-stripping machinery. At one time the output per man per day in that particular pit was approximately 50 tons. The conditions there, however, are very exceptional.

Senator MURRAY. You do not know the extent of unemployment in the mines in the country at the present time?

Mr. TRYON. No, sir; I do not.

Senator LODGE. Can you give us a brief picture of what has happened to the price of coal in the past few years?

Mr. TRYON. I could give you the records on average sales realization, of the United States Bureau of Mines, which were collected during the period I served with the Bureau, but I am not familiar with the work that the Coal Commission has been doing on prices. If you wish to explore that subject you would do well to call another representative of the Commission.

Senator LODGE. The price has gone up lately, hasn't it?

Mr. TRYON. I have no records of the current change in prices.

Senator LODGE. Isn't it true that as the price goes up beyond a certain point the law of diminishing returns will set in, and that people will use less coal and switch to oil?

Mr. TRYON. There is competition in certain markets, particularly between fuel oil and coal, and in other markets between natural gas and coal, and that competition is, of course, affected by the relative prices of the fuels.

Senator LODGE. You do not know how near or how far the present price is from that point?

Mr. TRYON. To study that question intelligently you would have to examine the particular markets where fuel oil or natural gas was available, and to study with great care relative costs of the two fuels under those local conditions. I think it is impossible to generalize on a national scale.

Senator LODGE. All right; thank you.

(Witness excused.)

(The weekly coal report filed by Mr. Tryon follows:)

WEEKLY COAL REPORT, NO. W. C. R. 1069, OF THE NATIONAL BITUMINOUS COAL COMMISSION, UNITED STATES DEPARTMENT OF THE INTERIOR, JANUARY 8, 1938

PRODUCTION, STOCKS, AND CONSUMPTION OF COAL

Production of soft coal in the week ended January 1 is estimated at 6,065,000 net tons, in comparison with 6,150,000 tons in Christmas week. Little coal was mined on New Year's Day. In the corresponding week a year ago, the output was 8,995,000 tons.

The total production of soft coal in the year 1937 is estimated at 440,265,000 net tons. This figure represents the sum of the published weekly estimates reduced to an actual calendar-year basis. Compared with the estimated production of 434,070,000 tons in 1936, the year 1937 shows an increase of 1.4 percent. Since 1936 was a leap year and therefore 1 day longer than 1937, the average daily rate of output may be a better measure of comparison. The average daily rate for 1937 was approximately 1.6 percent higher than that for 1936.

Production of Pennsylvania anthracite in 1937, according to the preliminary estimate of the United States Bureau of Mines, was 50,091,000 net tons, as against 54,760,000 in 1936.

The total output of all coal in 1937 was, therefore, 490,356,000 tons. This was slightly greater—0.3 percent—than in 1936. The average daily output was 0.5 percent greater.

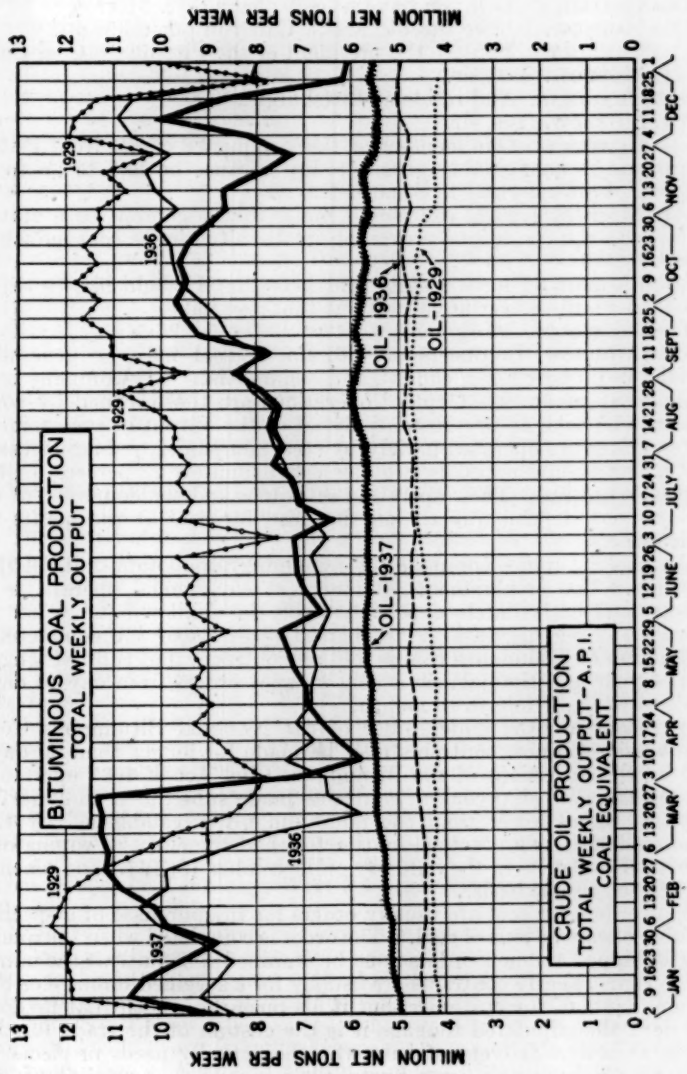
Production of crude petroleum in 1937 was approximately 18 percent greater than in 1936 and 27 percent greater than in 1929.

TABLE 1.—*Estimated United States production of coal, in net tons, with comparable data on production of crude petroleum*

[Data for Pennsylvania anthracite from Weekly Anthracite-Beehive Coke Report, and Pennsylvania Coal Commission Report, Jan. 5, 1938, of the Bureau of Mines; data for crude petroleum computed from weekly statistics of American Petroleum Institute]

	Week ended—			Total calendar year—			
	Jan. 1, 1938 [1]	Dec. 25, 1937	Jan. 2, 1937	1937	1936	Change from last year, percent	1929
Bituminous coal: [2]							
Total, including mine fuel	6,065,000	[3] 6,150,000	8,995,000	440,265,000	434,070,000	+1.4	534,989,000
Daily average	[4] 1,189,000	1,230,000	1,764,000	1,439,000	1,416,000	+1.6	1,740,000
Pennsylvania anthracite: [5]							
Total, including mine fuel		930,000	855,000	50,091,000	54,760,000	−8.5	73,828,000
Daily average		186,000	171,000	165,000	179,800	−8.2	243,000
All coal:							
Total, including mine fuel		7,080,000	9,850,000	490,366,000	488,830,000	+.3	608,817,000
Daily average		1,416,000	1,935,000	1,604,000	1,595,800	+.5	1,983,000
Crude petroleum: [6]							
Coal equivalent of weekly output	5,504,000	5,595,000	5,000,000	291,358,000	247,409,000	+17.8	229,296,000

[1] Subject to revision.
[2] Includes for purposes of historical comparison and statistical convenience the production of lignite and anthracite and semianthracite outside of Pennsylvania.
[3] Revised.
[4] Average based on 5.1 days.
[5] Includes washery and dredge coal and coal shipped by truck from authorized operations.
[6] Total barrels produced during the week converted to equivalent coal, assuming 6,000,000 B. t. u. per barrel of oil and 13,100 B. t. u. per pound of coal.


BITUMINOUS COAL PRODUCTION
TOTAL WEEKLY OUTPUT
1929
1936
1929
1937
1936
OIL-1937
OIL-1936
OIL-1929
CRUDE OIL PRODUCTION
TOTAL WEEKLY OUTPUT-A.P.I.
COAL EQUIVALENT
MILLION NET TONS PER WEEK
MILLION NET TONS PER WEEK
0 1 2 3 4 5 6 7 8 9 10 11 12 13
JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC
2 9 16 23 30 6 13 20 27 3 10 17 24 1 8 15 22 29 5 12 19 26 3 10 17 24 31 7 14 21 28 4 11 18 25 2 9 16 23 30 6 13 20 27 4 11 18 25 1

STATEMENT OF J. D. A. MORROW, PRESIDENT, PITTSBURGH COAL CO.

The CHAIRMAN. Will you have a seat, please, Mr. Morrow?

Mr. MORROW. I have those charts. Can you put them up?

The CHAIRMAN. You are the president of the Pittsburgh Coal Co.?

Mr. MORROW. Yes, sir.

The CHAIRMAN. And reside at Pittsburgh?

Mr. MORROW. Yes, sir.

The CHAIRMAN. One member of this committee comes from Pittsburgh and is unavoidably absent today because he had to go to a funeral. I am referring to Senator Davis.

Mr. Morrow, I wish you would make to the committee a statement as to the conditions prevailing in the bituminous coal industry today.

Mr. MORROW. I have a statement here that I would like to read, and then I will answer any questions that you have.

The CHAIRMAN. All right.

Mr. MORROW. Producers of bituminous coal may be generally divided into two classes, captive and commercial. My company is a commercial producer. Captive operations are those owned by consumers who take all or substantially all of the output of such mines. These mines are operated mainly by steel companies, public utilities, and railroads, and normally produce approximately 23 percent of the country's output. Their operating schedules and the employment of their miners depend directly on the need for coal at the plants of their owners.

Commercial mines comprise the remaining production units of the industry. The employment of miners at commercial operations is directly and immediately dependent upon the ability of the owner or operator to sell his output. Perhaps two-thirds of the commercial production of bituminous coal is sold on contracts that run not longer than 1 year and the balance is sold on spot orders from day to day, week to week, or month to month.

In recent months under order of the National Bituminous Coal Commission no new contracts may be made for longer than 30 days and by the provisions of the Bituminous Coal Act of 1937 operators are forbidden to ship coal on contracts made subsequent to June 16, 1933, at prices lower than the minimum prices established by the Commission. As a practical matter this had the effect of wiping out nearly all contracts in the industry on December 15, 1937, and placing all sales on a spot basis.

Spot orders for coal are usually orders for the purchase of a specific number of cars or tons of coal. The order is completed when the quantity is shipped and new orders must be obtained constantly if the mines are to run. Yearly contracts are usually for a specified tonnage or the requirements of the customer, but if his business is such that he does not need the stipulated tonnage it is the custom of the trade for the buyer to accept delivery of only what he actually needs or elects to accept. Consequently, any fluctuations in the customer's business that increase or diminish his need for coal are reflected promptly and directly upon the production and the consequent operating time and employment of men at the mines.

There is no concentrated control of production in the bituminous-coal industry that can have or does have any material effect upon the market prices for coal. The Pittsburgh Coal Co. is one of the largest producers in the industry, but its total output comprises less than 3 percent of the total production of the country. There are several thousand producers of commercial coal for rail shipment operating one or more mines and an equal or greater number of producers of coal without rail connection but distributing by motor truck. The prohibitions of the antitrust laws have prevented any concert of action among the operators for restriction of production, limitation of productive capacity, stabilization of prices, or agreement upon any uniformity of sizes or grades or terms and conditions of sale.

Prior to the establishment of minimum prices by the National Bituminous Coal Commission the bituminous-coal industry exhibited the wildest and most savage, the most relentless and individualistic competition to be found in the country. With overcapacity to produce coal for a diminishing market chronic for 20 years, with investments in coal mines that could be salvaged only by the production and sale of coal, with one-third or more of current output sold from day to day and with the balance moving on contracts that were far looser commitments than are customary in most lines of business, with thousands of producers and wholesalers contending as individuals to obtain business wherever possible, there was no firm basis for prices on any size of coal in any market anywhere in the United States. Whereas in other industries current prices are referred to as a structure or level, in bituminous coal they could only be called a quicksand.

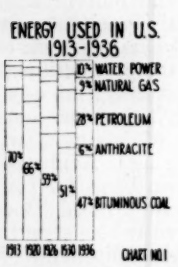
The Pittsburgh Coal Co. is representative of these commercial producers. It operates 18 modern mines in western Pennsylvania which during 1937 produced nearly 64,000 tons in a single day and nearly 1,400,000 tons in a single month. Our total output in 1936 was 12,381,000 tons and in 1937 12,198,000 tons. In 1937 we employed an average of 12,319 men at the mines. Their average earnings were $6.44 per day for every man on the pay roll. Our coal in previous years has been sold all the way from central New England to the middle of the Dakotas and in Canada north of Lakes Erie and Ontario. The company has an interest in coal-selling companies at Milwaukee and the Twin Cities that operate docks at Milwaukee and Duluth and distribute coal from those docks in Wisconsin, Minnesota, the Dakotas, and northern Iowa. About one-third of the coal sold from those docks is bought from the mines of the Pittsburgh Coal Co. and approximately two-thirds is bought from producers of other types of coal in Kentucky, West Virginia, Virginia, Ohio, and Pennsylvania.

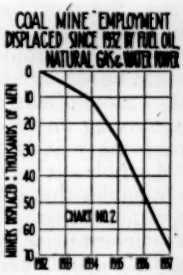
Producers of commercial coal compete not only for business against each other but they are also involved in the contest between bituminous coal and other forms of heat and energy for business. Coal must compete as a fuel against fuel oil, natural gas, and water power.

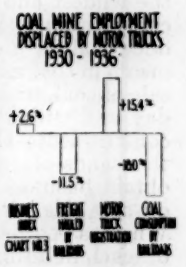
Chart No. 1 shows the sources of energy used in the United States from 1913 to 1936 and in typical years between and indicates the declining proportion of heat and energy supplied by bituminous coal. In 1913 the total heat and energy used in the United States required the equivalent of 680,000,000 tons of bituminous coal. In that year bituminous coal supplied 478,000,000 tons of this total, or 70 percent. In 1936 the total heat and energy used in the United States required

the equivalent of 920,000,000 tons of bituminous coal, but the coal industry furnished only 434,000,000 tons or 47 percent of this total. Since 1920 the increase in the use of substitute fuels and other losses of business have produced chronic unemployment in the bituminous coal industry. From 1923 to 1936, 210,000 bituminous-coal miners lost their jobs. This loss of business and employment has been accelerated as the country recovered from the depression low of 1932.

Chart No. 2 shows graphically the cumulative loss of employment by coal miners from 1933 to 1937 through the substitution of fuel oil, natural gas and water power for bituminous coal in the United States. In those 5 years, 68,000 coal miners lost their jobs at commercial mines because the owners of those mines had lost their business to competing fuels.




COAL MINE EMPLOYMENT
DISPLACED SINCE 1932 BY FUEL OIL
NATURAL GAS & WATER POWER
MINERS DISPLACED: THOUSANDS OF MEN
CHART NO.2



During those years wages in the industry were increased, working time per day and per week was shortened, and production costs approximately doubled. Prices f. o. b. the mines were necessarily forced up in consequence. Every such increase in price creates additional opportunities for competitive fuels to take customers away from coal. The choice between coal and competitive fuels is made by the customer on the basis of the cost of each at his plant or his home. Fuel oil and natural gas are pipe-line fuels, while coal is chiefly transported by rail. Consequently, the recent increase in freight rates allowed by the Interstate Commerce Commission will add further to the loss of business to other fuels. Similarly, establishment by the National Bituminous Coal Commission of minimum prices for coal effective December 16, higher than current market prices, will further accentuate the shift from coal to other fuels with prices and transportation charges practically unregulated.

But there are secondary effects of these substitute fuels upon employment at the mines. As motor trucks run by gasoline have taken freight traffic from the railroads, operating with steam locomotives burning coal, the consumption of coal has declined on the railroads and from 1930 to 1936, 21,000 more coal miners lost their jobs on this account. Chart No. 3 portrays what has happened here.

In view of the competitive conditions that have prevailed in the bituminous-coal industry, the committee will readily understand that the chief concern of every bituminous-coal executive is the sale of his output. Increased tonnage means lower operating costs, but if bought at too great a sacrifice in price it might not be worth having. He must use his best efforts to anticipate industrial and business conditions, estimate the tonnage he can sell at different prices he may ask and

adopt as his objective that balance of tonnage and price which will give him the best net operating results.

The sales and production of coal for our company have been regularly planned a year ahead. In 1936 we estimated that we could sell a tonnage of 12,000,000 tons of coal at a certain price that would give us the best net return that we could reasonably expect in view of the competitive conditions prevailing in our markets. At the end of the year we found we had exceeded our tonnage objective by 3 percent, and we had realized two-tenths percent per ton more than we had expected. In view of the constantly changing and fluctuating competitive price situation in our markets, we considered that a remarkable achievement.

In 1937, after canvassing the expectations of several thousand customers and assuming that business activity would be somewhat better than in 1936 and would increase throughout the year, we estimated that we could sell 13,600,000 tons of coal at a certain average price for the year.

During the first quarter we ran practically on our projected tonnage and price. In the second quarter the requirements of our customers diminished a little and in replacing that tonnage we were not always able to obtain quite the prices we had hoped to get.

At the end of July, our cumulative average realization for our output to that date was only 1.4 cents per ton below the figure we had expected to obtain. Our total tonnage was only 40,000 tons below our projected output to that date and we were 800,000 tons ahead of the preceding year's performance. Our costs were within 0.015 cents per ton of our estimate.

In August the recession in industry began to have its effect on our production schedules and in spite of the fact that we began reducing our prices gradually in order to maintain production at our mines and employment for our miners, the ensuing months witnessed a continuing decline in our output below our expected production. We finished the year with a total production of 12,200,000 tons, or 180,000 tons below the preceding year's output, and our average realization was 2.8 cents per ton lower for the entire year than we had anticipated, and nearly 1,500,000 tons below our budgeted tonnage. Our average price for those last 5 months of the year dropped 3.5 cents per ton below our expected realization. The loss of 1,500,000 tons of production in those final months increased our costs 18 cents per ton above our budgeted costs on our total output for the 5 months.

On December 16, 1937, minimum prices were put into effect by the National Bituminous Coal Commission. The next week production in the United States as a whole dropped 30 percent from the average of the preceding 8 weeks. Pittsburgh Coal Co.'s production dropped 63 percent from the average of the preceding 8 weeks. This was due chiefly to the fact that the prices established initially on the coals produced by our company as compared with the prices fixed on competing coals, notably certain coals produced in central Pennsylvania, Ohio, and northern West Virginia, in many cases made it decisively advantageous for our customers to stop taking coal from us and to buy from producers located in these other fields.

The combined effect of these Government minimum prices and the recession in industrial activity resulted in the immediate reduction of operations from triple shift to double shift at one of our mines, from

double shift to single shift at five mines and in the complete closing down of four other mines for an indefinite period. At no time in the last 10 years has our company had so many mines idle.

We have endeavored to minimize the effect of this drastic loss of business upon our employees as much as possible. For the year 1937 the average number of employees on our mine pay rolls was 12,319. On December 15 it was 12,445. Today it is 10,035, a reduction of 2,410 men or 19 percent, although our production has been curtailed, as you noted, by 63 percent. This means that work is being shared and divided so far as practicable among our employees, but it also means that their weekly earnings will be seriously reduced.

The committee should understand that this spreading of work will be general in the industry. As distinguished from a manufacturing plant, a coal producer, when his business falls off, does not shut down a part of his mine and discharge the employees working there. Instead he reduces the number of days the mine works per week but will generally have all of his men working on those few days when the mine does operate. Thus, in the bituminous coal industry, loss of jobs must be distinguished from decreased employment.

The establishment of minimum prices under the National Bituminous Coal Act on December 16 effected a revolutionary change in the competitive situation in the bituminous coal industry. Rigid minimum prices for designated sizes, kinds and qualities of coal from every mine in the United States, for every carlot buyer, and for thousands of mines shipping coal by motor truck, were set up by the Commission, and each price is a law which can be changed only by the procedure of a lawsuit. For our 18 mines alone, there are several thousand such prices fixed that we must absolutely observe in the sale of our coal, and for the mines in the 10 districts with which our mines compete, there are several hundred thousand prices fixed for the various sizes, grades and kinds of coal that enter our common markets.

It is too early to foresee all the consequences of this act, but a few of its effects are already becoming evident.

The average price at which bituminous coal will be sold in 1938 has been raised appreciably above the price levels prevailing in 1937. That higher-price level and the rigidity of prices will render bituminous coal more vulnerable to competitive attack by fuel oil, natural gas, hydroelectric power, wood, anthracite and other unregulated substitutes. We can expect further losses of business to these fuels and further losses of employment opportunity for labor in this industry. The act will also result in the expansion of captive coal production at the expense of commercial. Larger users of coal, wherever practicable, and where they can accomplish savings, will equip themselves with their own mines. Reduction of the commercial market consequent on these two diversions of tonnage will result in less working time for commercial mines. This in turn will raise their costs, will make their business still more vulnerable to attack by unregulated competitive fuels, and will further increase the cost of coal to the smaller users who are unable to fortify themselves with mines of their own.

For the industry as a whole, as consumers gradually deplete their stocks and come back into the market, it is reasonable to expect some increase in the weekly production of coal, but when the winter demand

falls off, it now seems likely that April and May will see a drop in coal output to the lowest levels of recent years.

We find it more difficult in these early days of 1938 to estimate the coming year's business or to predict what employment our miners will have than at any time in the last 10 years. Fear and uncertainty make our customers unwilling to estimate what coal they will need in the coming year. We, too, are affected by the same considerations. In 1936 and 1937 we spent $3,500,000 for capital improvements. Those improvements are practically finished. There are others we would like to make, but until we can see ahead more clearly and can know more certainly and definitely what the future of business in the United States is to be, we do not dare to plan for the expenditure of a single cent for capital improvements.

This present depression is a matter of deep concern to the heads of every business and industrial enterprise, large and small. It was not of their making or seeking. It came upon them because a spreading doubt and uncertainty as to the future in this land among millions of their customers dried up the orders for the output of their mills and mines and factories. Our company and every other will give the Government every assistance to restore prosperity. But this willingness on the part of industry is not enough. The shoe is on the other foot. In our view this depression was created here in Washington. It will have to be cured here in Washington by a frank acknowledgment of some mistakes that have been made; by a clear and unequivocal statement of future policies without any intimations or suspicions of concealed and different purposes, and by prompt, affirmative executive and legislative action to dispel the doubt, the apprehension and the distrust that have frozen the potential purchases of millions of people in this country. The abiding conviction in the security of Government finance, of democratic institutions, and individual enterprise here, which has been shaken, must be restored before either industry or government can expect sustained and enduring recovery. That restoration of their confidence is the responsibility of government.

The CHAIRMAN. What legislative action do you suggest we should take at this time to dispel doubt and cure the situation?

Mr. MORROW. Well, Mr. Senator, I think there are one or two things that are outstanding; the undistributed-profits tax is one——

The CHAIRMAN. And the second?

Mr. MORROW. Capital-gains tax.

The CHAIRMAN. And the third is a balanced Budget? Is that right?

Mr. MORROW. That's right.

The CHAIRMAN. I only suggest it because I wrote a letter to about 100 business executives and they stated them just in that order: First, the tax on surplus; second, the capital-gains tax; and third, a balanced Budget.

And you agree that if we do that confidence will be restored and your coal mines are all right?

Mr. MORROW. No; not alone——

The CHAIRMAN. What is the answer, then?

Mr. MORROW. The other thing is we ought to have an end to the uncertainty of the future of business in this country.

The CHAIRMAN. How are you going to end that uncertainty?

Mr. MORROW. You are going to end it in the same way that it was created. It has to be done here.

The CHAIRMAN. Has there ever been a time when you have had certainty as to the future of the coal business?

Mr. MORROW. No; but we have never been worried very much about what the Government was going to do to us.

The CHAIRMAN. What was your business in 1932?

Mr. MORROW. Eight million, one hundred thirty-eight thousand tons.

The CHAIRMAN. How about 1933?

Mr. MORROW. Eight million, three hundred fifty-two thousand tons.

The CHAIRMAN. And 1934?

Mr. MORROW. Ten million, sixty thousand tons.

The CHAIRMAN. Ten millions, did you say?

Mr. MORROW. Ten million, sixty thousand.

The CHAIRMAN. Did this terrible distrust and lack of confidence cause the increase in that year?

Mr. MORROW. I am talking about the present situation.

The CHAIRMAN. Let's see what the present situation is.

Mr. MORROW. I will say this situation prevailed at that time and there appeared to us to be a sincere effort on the part of the administration to work with business for the betterment of business, and business responded to the invitation to attempt to improve business. I think the N. R. A. was an excellent illustration of that.

The CHAIRMAN. The bituminous-coal operators were in favor of the N. R. A.?

Mr. MORROW. Some of them were.

The CHAIRMAN. The majority were?

Mr. MORROW. I think maybe they were.

The CHAIRMAN. Most of the other gentlemen who represent industry cite that as No. 1 of the worst things that could have happened to them; you do not agree with them there?

Mr. MORROW. No.

The CHAIRMAN. Now, you were increased from 8,138,000 in 1932 to 8,352,000 in 1933, to 10,060,000 in 1934.

Mr. MORROW. Yes.

The CHAIRMAN. How about 1935?

Mr. MORROW. Eleven million six hundred thousand.

The CHAIRMAN. Again an increase, all in this same administration.

Mr. MORROW. Yes, sir.

The CHAIRMAN. And in 1936 what was it?

Mr. MORROW. Twelve million three hundred and eighty-three thousand tons in 1936.

The CHAIRMAN. You just increased production every year with these legislative enactments causing this distrust and lack of confidence?

Mr. MORROW. Well, the growth of lack of confidence is a gradual thing. It takes time.

The CHAIRMAN. And your increase in your business was as gradual as this increase of lack of confidence, was it not?

Mr. MORROW. You are not being quite fair about that, Senator.

The CHAIRMAN. You increased from 8,000,000 in 1932 to 12,000,000 in 1936.

Mr. MORROW. We increased at the time we were not suffering from lack of confidence.

The CHAIRMAN. You didn't suffer in 1932, 1933, 1934, 1935, 1936, and how about 1937?

Mr. MORROW. Our sales fell off in the latter part of 1937.

The CHAIRMAN. How about for the year?

Mr. MORROW. We produced 12,198,000 tons. They are down about 185,000 tons.

The CHAIRMAN. Now, after 5 years, how did it happen that all of this lack of confidence happened to hit you in the month of December?

Mr. MORROW. It began hitting us in the month of August.

The CHAIRMAN. Is that when your sales fell?

Mr. MORROW. That is when they started to slide.

The CHAIRMAN. Now, you got down to 8,000,000 in 1932.

Mr. MORROW. Yes.

The CHAIRMAN. That was about as low as you had been?

Mr. MORROW. Yes, sir. We had been lower than that, but there were other reasons for it.

The CHAIRMAN. Did your prices fall in 1932?

Mr. MORROW. Yes; to the lowest it had ever been.

The CHAIRMAN. What caused that lowering in price in 1932 to the lowest it had ever been? Was that lack of confidence, too? Who caused that lack of confidence?

Mr. MORROW. Largely by the speculative impulses of the American people.

The CHAIRMAN. No administration had anything to do with that?

Mr. MORROW. No; unfortunately, I don't think it had as much to do with it as it might have, curatively, I mean.

The CHAIRMAN. But under previous administrations you dropped to the lowest point you had ever seen, and under this administration you climbed every year until August of last year, didn't you?

Mr. MORROW. That is right.

The CHAIRMAN. Now, did you want this measure passed fixing the prices of coal?

Mr. MORROW. No, sir.

The CHAIRMAN. Did you ask for it?

Mr. MORROW. No, sir.

The CHAIRMAN. How about the other operators?

Mr. MORROW. A lot of them did.

The CHAIRMAN. Asked for it, and then, when they got it, they didn't like it?

Mr. MORROW. I think a good many of them do like it.

The CHAIRMAN. But, so far as you are concerned, you do not agree with that?

Mr. MORROW. I would not put it that way. The act is one that is very difficult to administer, and the Commission has just started the administration of it.

Now, it was inevitable that in fixing the number of prices they were required to fix by the explicit terms of the act that there would be a good many mistakes made, a good many inequalities created, and you have to be patient with the Commission and give it an opportunity to iron those things out. The volume of them and the detail of procedure will make that difficult to do.

Senator CLARK. Did the Commission hold any public hearings before they fixed those rates?

Mr. MORROW. They held hearings but I am not certain that they held hearings as to proposed prices, before they were fixed, but they had hearings before examiners.

Senator LODGE. Representatives of consumers were present?

Mr. MORROW. I cannot say.

Senator CLARK. But it is a fact, isn't it, that the Bituminous Coal Commission fixed their prices without giving the consumers, as a class, as interested parties, an opportunity to be heard?

Mr. MORROW. I cannot answer that because, as I say, I had no part in the fixing of the prices.

Senator CLARK. If that were true, wouldn't it be a fact that the business of allowing the operators and labor, as interested parties, to get together and fix prices, without an opportunity for the consumer to be heard, that that would be a pretty rough thing on the consumer, and likely to result in a decrease in the consumption of coal as a fuel, as against other fuels?

Mr. MORROW. That is one of the consequences of these prices.

Senator LODGE. You give me the impression that you do not think this fixing of prices has done your business much good.

Mr. MORROW. Up to date it has not but it is fair to say this, however, and I did say, that the realization on whatever coal is mined in 1938 will be better than 1937, and it will provide in time a better basis of purchasing power in the bituminous-coal industry for that part of the industry that remains in operation.

Senator LODGE. In other words, this price fixing, according to you, is not advantageous to the coal producers, and I am positive that the consumer of coal does not like high prices, so it cannot be advantageous to him.

Mr. MORROW. I think, in the long run, it won't be advantageous to the industry. Temporarily I think it is of help to them.

Senator LODGE. Whom does it help, then, in the long run? That is what I would like to know.

Mr. MORROW. I would like to know that myself, Senator.

The CHAIRMAN. Has it resulted in increase of wages for the employees?

Mr. MORROW. No, Senator. The present wage scale for employees was entered into by agreement the 1st of April, 1937, before the act was passed.

The CHAIRMAN. Before the act was passed?

Mr. MORROW. Yes, sir.

Senator MURRAY. It was entered into in contemplation of the legislation that was going to take place and had a serious effect.

Mr. MORROW. I think that wage scale would have been entered into regardless of whether any act was passed.

The CHAIRMAN. Well, the situation in the coal industry, as I have said heretofore, of course, presents an unusual problem. If you had minimum prices fixed, there could be no reduction, then, of selling price of that commodity in case there is a reduction in purchasing power that would induce others in other industries to reduce prices. Your prices are fixed.

Mr. MORROW. That's right.

The CHAIRMAN. The wages of the men are fixed.

Mr. MORROW. Yes, sir.

The CHAIRMAN. It would really mean, if it affected them, that those who worked would receive better wages, but fewer would work?

Mr. MORROW. In the long run that is what is going to happen.

The CHAIRMAN. From your statement that is what I gather.

Senator CLARK. The coal industry is in competition with other fuels?

Mr. MORROW. Very much so.

Senator CLARK. And if you jack prices up to the point that you are in competition with oil, gas, or other fuels fewer people are willing to pay the price and buy coal and necessarily a smaller amount will be sold and fewer men will be employed; isn't that correct?

Mr. MORROW. Yes, sir.

Senator LODGE. The law of diminishing returns sets in?

Mr. MORROW. That's right.

The CHAIRMAN. Let me get down to the unemployment situation. As a general rule, when men are out of work in the coal mine is there any other employment in the area which would enable them to find work?

Mr. MORROW. In a great many localities, Senator, there is not.

The CHAIRMAN. Is that the reason that in the period of unemployment we find such a large number upon relief, as you have outlined in your statement?

Mr. MORROW. Yes; that is one reason; and, as I have indicated, we have had an oversupply of men at the bituminous-coal mines for a number of years, and it has been gradually diminishing as those men become old, find employment elsewhere, or drift away to some other place.

The CHAIRMAN. That always has interested me. We know the situation that exists in the coal mines; it is the greatest problem because of the number of unemployed there. You have, you say, in our bituminous-coal fields, a large number of men who cannot be given employment. Now, what can be done? What thought have you? What could be done to place those men in some other field instead of permitting them to remain there with the small hope that exists for finding employment in that industry? Do you see any hope for any improvement?

Mr. MORROW. No. On the contrary, Senator, there will be a continuation of unemployment in the bituminous-coal industry. The number of men who mine coal must be reduced.

The CHAIRMAN. Is anything being done along the lines of encouraging these men to seek employment in other fields?

Mr. MORROW. I don't think anything is being done concertedly by the industry.

Senator CLARK. What?

Mr. MORROW. I say, I think the coal industry is not doing anything in that direction. It is not in a position to do so.

The CHAIRMAN. Don't you think it would be a good thing even for Government to do, through some of its agencies that are dealing with its problems?

Mr. MORROW. I said just that, Senator, several years ago.

The CHAIRMAN. It seems to me it is the only hope for them, particularly the younger men.

Mr. MORROW. It is beyond the industry itself.

The CHAIRMAN. The industry cannot do anything?

Senator CLARK. They have done something by killing some of them off in Harlan County, Ky.

Mr. MORROW. We don't operate in Harlan County. I am not familiar with the situation there.

The CHAIRMAN. You said you made the same statement a few years ago. What thought did you have in mind?

Mr. MORROW. It seemed to me that those agencies of the Government that then were dealing with the question of reemployment of men who for any reason were being moved out of the industry in different places could appropriately deal with it. There are sections of industry in which employment has been increasing.

Now, an intelligent effort to get men into fields where the employment outlook is for increased work and out of those in which the outlook is for decreased work, as it certainly is in the bituminous-coal industry, would be a constructive thing to do. The exact places to which you could move those men I don't know, of course.

The CHAIRMAN. Of course you don't, but what would you say about the Reemployment Service, with its information as to opportunities for employment in various industries, contributing, and to the establishment of training schools in which certainly the younger men could be trained to do something other than mining coal?

Mr. MORROW. Yes, sir.

The CHAIRMAN. And, as a result of that training, be then placed in some field where there was greater hope for continued employment.

Mr. MORROW. I think that is all right.

The CHAIRMAN. So far as you are concerned, with your long experience, you do not see any hope that the number now in those fields can be given continued employment, and if the situation remains we will have to face a continuance of some relief policy?

Mr. MORROW. Yes, I think that is true, Senator.

Senator CLARK. Isn't it a fact that unless something like that is done, as suggested by Senator Byrnes, we might come to a situation in the bituminous-coal fields similar to that in England and Wales, where mature men have never been employed, have been on the dole all their lives, never have been employed?

Mr. MORROW. That is a possibility.

The CHAIRMAN. Do you see any hope in the railroads for improvement; that production in coal fields would increase if railroads were enabled to improve their conditions, that it would help the coal industry?

Mr. MORROW. Yes, it would, indirectly, Senator.

The CHAIRMAN. Do you see any other factor in the situation at this time that would give you hope?

Mr. MORROW. Well, concretely, it is pretty difficult to point any out at the present time.

The CHAIRMAN. What percent of your coal is taken by the railroads?

Mr. MORROW. Eighteen percent of the industry as a whole, and it is just about that percent for our company.

The CHAIRMAN. If there was a real improvement in the railroad situation, and your production would increase to 575 or 600 million tons, it would give work to a great many more men?

Mr. MORROW. Yes, it would; but we don't foresee any such increase as that at the present time.

The CHAIRMAN. What was the last figure?

Mr. MORROW. The figure for 1937 was 447,000,000. You were speaking of 575,000,000. That will not come, Senator, until we begin to use coal instead of oil.

The CHAIRMAN. Prior to December 15, when this price went into effect, did the railroads and the industries buy coal in order to build up stocks at the lower price?

Mr. MORROW. Yes, sir.

The CHAIRMAN. Don't you think that necessarily would have some effect on the January production?

Mr. MORROW. Yes, it did. I said, as those stocks are depleted production will come back to some degree.

The CHAIRMAN. They are being depleted today?

Mr. MORROW. Yes, they are gradually coming down.

Senator MURRAY. That would have a greater effect than the alleged fear you speak of?

Mr. MORROW. Well, the effect of the fear and uncertainty was operating from the middle of the summer. The precipitate drop on December 16 was due primarily to the establishment of Government prices, effective as of that date. Those prices had been announced on December the first and that gave industry an opportunity to acquire purchases at lower prices than the established prices would be, and you will notice that on the curve in Mr. Tryon's chart it showed a rise in production during the first 2 weeks in December, which represented buying in advance of the higher prices, and also, of course, the cold weather.

Senator MURRAY. Of course, buying coal all along during the early part of the year, increasing their inventories, under the impression that there were going to be higher prices?

Mr. MORROW. I would say that is true.

Senator MURRAY. Isn't the principal difficulty in the coal business due to the fact that they opened up too many mines in the United States?

Mr. MORROW. That is one of the causes. In the war years and immediately after, that was one of the causes.

Senator MURRAY. Of course, the Government did not have anything to do with that. That could not control that situation.

Mr. MORROW. No. That's right.

Senator MURRAY. So you had too much competition in the coal business?

Mr. MORROW. There were some other things that had something to do with it. Part of the industry at that time was unionized, and a part of it was not, and in the union fields they had higher wages, and that provided an opportunity for the producers in the fields not unionized to lower their prices, by cutting wages, cutting under the prices of the union fields, and building up their own production.

Now, the capacity remained in the union fields and we had in the combined fields a much greater capacity than we needed. We have spent the last 15 or 20 years wearing it down.

Senator MURRAY. You think there was a real necessity on the part of the Government to undertake to remedy that situation?

Mr. MORROW. It was desirable that something should be done. I think the conditions that prevailed in the bituminous-coal industry for a good many years were not good for either the public or the Govern-

ment or anybody else. I think some stabilizing influences were quite desirable in that industry, and by a variety of conditions we were prohibited from having any at all.

Senator MURRAY. Well, the railroads in the country are at present seeking increased rates.

Mr. MORROW. Yes.

Senator MURRAY. And you feel that if those increased rates are granted it will further adversely affect you?

Mr. MORROW. Yes. We are opposing any further increases.

Senator MURRAY. What particular thing do you think the Government is doing that has caused this particular fear that you speak of?

Mr. MORROW. I have already mentioned some of the legislative acts of the Government which have contributed to it. I think also the fact that business is left uncertain as to what the additional restrictive and regulative measures are going to be, that are anticipated, have a lot to do with it.

Senator MURRAY. That is always the situation in any country. You can never tell when anything is going to develop along those lines; can you?

Mr. MORROW. No, but there is a difference between taking your chances on what happens and being put on notice that changes are going to be made, when you are left in the dark as to what those changes will be.

Senator MURRAY. In what respect have you been put on notice that there would be changes?

Mr. MORROW. As I recall, the President said, in his message to Congress, that he would submit definite proposals as regards industry in the United States. We don't know what they are, yet.

Senator MURRAY. Are you opposed to the Government policy of endeavoring to increase the purchasing power of the masses?

Mr. MORROW. Not at all.

Senator MURRAY. You are not in favor, then, of the coal mines going back to the lower wages prior to unionization?

Mr. MORROW. No, I am not in favor of the coal mines going back to the competitive conditions that prevailed prior to the present act or prior to the N. R. A. or the interval in between.

As I say, I don't think they were healthy competitive conditions, but they were conditions required by law in this country. The operators couldn't do anything about it. This industry is accused of having been a disorganized industry. It could not have been anything else under those conditions.

Senator MURRAY. Don't you think the Government has been trying to do everything it can to assist the coal industry in the country?

Mr. MORROW. I think the intentions of the Government toward the coal industry in the last few years have been good. I do not think they have done as practical a job as they could have done, but I am not criticizing that. We will learn by mistakes.

Senator CLARK. What would be your suggestions in that regard?

Mr. MORROW. Well, Senator, if I wanted to stabilize bituminous-coal prices in the United States, to prevent destructive and unhealthy competition, I would try to find some simpler way to do it than by fixing several hundred thousand prices that could only be changed by legislative—by legal—procedure, equivalent to a lawsuit. That could be done by a simple enactment such as this: A prohibition against

the sale of your coal in any month at an average price below your production cost for the preceding year.

Senator CLARK. Would you apply that to the individual or to the industry as a whole?

Mr. MORROW. To the individual, and let him sell his coal in different sizes that it is screened into or prepared for market. Let him sell it at any price anywhere, but his average realization would be required to equal his production cost.

Senator CLARK. Wouldn't that have the effect of shutting the less efficient producer, let us say, in any one month, out of the market?

Mr. MORROW. Not if you took it over an entire year.

Senator CLARK. I think that is an interesting suggestion.

Mr. MORROW. You could forbid him to sell his coal in 1937, for instance, at a price that for the year would average less than his cost in 1936. Now, he knows that cost and what he is doing, and if he sells one grade of coal 25 cents a ton below cost, he will have to balance it up by selling some other grade of coal at 25 cents above that figure.

The CHAIRMAN. Some industries have told us that what they find to be the great problem is their inability to discuss among themselves possible demands and thereby arrive at production, or to fix prices because of the antitrust laws. Now, in the coal industry, there is an agreement, through the Coal Commission, practically, as to production, and certainly as to prices, and you do not think it works there?

Mr. MORROW. No, there is no agreement as to production, Senator, and there is no agreement as to prices. There is a great controversy as to prices going on all the time.

The CHAIRMAN. But you have a minimum price.

Mr. MORROW. No, we do not have a minimum price; we have several hundred thousand minimum prices. In the case of our own company we have between four and five thousand minimum prices.

The CHAIRMAN. I understand from your statement that what you have set forth as one of the causes of complaint is in the administration of the law, the complicated situation.

Mr. MORROW. It is unavoidable. The law was written that way.

The CHAIRMAN. Yes, as I say, in the administration of the law, but you wouldn't want the right to fix minimum prices at all, would you?

Mr. MORROW. Yes, Senator, so far as prices are concerned, if you had the sort of general prohibition that I have just suggested, and if, with that, you permitted coal operators in whatever way or groups or numbers they wished to associate themselves together, to agree on prices or production control, or the sizes of coal that they would make, subject to the supervision of those agreements by competent Government authority, and let that be entirely voluntary, I think we could do as much as we need to do to stabilize the industry.

The CHAIRMAN. Are you in favor of other industries having the same privilege of fixing prices?

Mr. MORROW. If they had the same sort of competitive conditions that we have in coal, it might be a good thing.

The CHAIRMAN. In other words, you do not look with disfavor on the right of industry to agree?

Mr. MORROW. I wouldn't have it compulsory; I would have it a voluntary agreement.

The CHAIRMAN. If you had an agreement and some of the operators were outside, it would not amount to much, would it?

Mr. MORROW. Here is what would happen in western Pennsylvania under this policy that I have just suggested: If a half-dozen large companies were permitted by means of legal and enforcible agreement to canvass the market for coal and found that they could sell 25,000,000 tons of coal in 1938 in competition with various other producers in their common markets and if they could agree among themselves on what portion of the 25,000,000 tons each was to produce, then they could close down some of the mines that each now has to operate, concentrate their production in the remaining mines, give steadier work to the workers in the mines, reduce the cost to the point that anybody that undertook to stay on the outside and cut under their prices would have to be a very good coal operator. If he could do it, let him.

Senator CLARK. You said it would give steadier employment. What would be the effect of that on the number of people employed?

Mr. MORROW. The number of people would be diminished.

Senator CLARK. Then you would throw a proportion of the people out of jobs?

Mr. MORROW. Yes; that would happen. I think, as I have already stated, that a part of our governmental policy toward the industry should be some provision of taking the surplus men out of the industry.

Senator CLARK. You think there would be better conditions for those that remained?

Mr. MORROW. Senator, those others will be thrown out anyway, or will have to live on a low standard of living. There is no alternative.

If you divide up available running time among all mines, here would be men that would only work 1 day a week, or 3 days in 2 weeks. That isn't going to provide satisfactory earnings.

The CHAIRMAN. You wouldn't have the Government bringing prosecution against some people for fixing prices and for agreements as to prices in one industry and then, in another industry, permit operations to get together and agree upon production and prices?

Mr. MORROW. Do not overlook the fact, Senator, that I said those agreements as to prices would have to be subject to approval of some such body as the Coal Commission.

The CHAIRMAN. But if that would be good in the coal industry, why wouldn't it apply in other industries?

Mr. MORROW. If you had a similar competitive situation, such as you have in coal, it might be good for other industries.

The CHAIRMAN. If you had a competitive condition, you would say it should be done there?

Mr. MORROW. A particular kind of competitive condition. Let me explain: In coal we have this situation that is somewhat different from anything in most other industries. When you go into the coal business you must provide yourself with a future supply of coal.

Now, you either buy the coal in the ground, for example 1,000 acres of coal and pay your money for it, or else you lease a mine and bind yourself under a minimum royalty contract each year until it is exhausted. In addition to that you have to pay taxes on that land and you have to pay taxes whether the coal is worked or idle. There are companies in western Pennsylvania that pay as much as $50 a year

per acre on all the coal acreage that they own. They can't keep it idle, they must mine coal out of it; so we have in this industry a condition that enforces the opening of mines in a great many instances whether there is a prospective demand for the coal or not, because the owner of the land must get some cash income out of it just to pay his taxes, and he offers it to somebody on a low-royalty lease, or he opens the mine himself.

Now, that isn't so good, that constant pressure to open mines.

The demand in this industry is such that the operator cannot do anything about it, so we have a condition that will lead to destructive policies, particularly when your market is shrinking.

In the years when we were increasing rapidly the demand for coal took care of itself. We passed that point, however, in 1923.

The CHAIRMAN. You have competitive fuels, now, and that makes another problem.

Mr. MORROW. Yes, sir.

Senator MURRAY. Does bootleg coal indicate that the miners themselves are trying to solve their problem?

Mr. MORROW. Oh, no, Senator, I wouldn't say that the bootleg mining of anthracite coal indicates that at all. I don't know much about anthracite, but that industry lost a large part of its business, too, and, consequently, the mines went out of business, and miners living in that community had no employment, and they undertook to mine some coal themselves and sell it, and they are undercutting wages, too. That is a demoralizing situation.

Senator MURRAY. You do not have that in the bituminous-coal industry?

Mr. MORROW. No, sir.

Senator MURRAY. Would you favor the Government buying the coal up to keep them off the mines?

Mr. MORROW. Yes, I think I would. It might be a good thing to do.

Senator MURRAY. Your industry is one of the most difficult of industries in the country for the Government to assist in solving its problems?

Mr. MORROW. That is true.

Senator MURRAY. And it is all due to the fact that there are too many mines, too much coal, isn't it?

Mr. MORROW. That's part of the reason.

Senator MURRAY. And anything that tends to increase the price of coal will further involve the industry in difficulties?

Mr. MORROW. Correct.

Senator MURRAY. In a democracy you realize that it is very difficult for the Government to solve immediately the problems and difficulties that arise.

Mr. MORROW. I do realize that, Senator.

Senator MURRAY. Over in Germany this situation could be very readily handled.

Mr. MORROW. We might not like the way it was handled, but it could be done over there.

Senator MURRAY. But you appreciate the fact that the Government has made an honest effort and is trying to do everything it possibly can?

Mr. MORROW. I want to make it clear again that I am not criticizing the Government. It is an effort and in the right direction and, if it has made mistakes, we will see what they are, and there may be some opportunity to correct them.

Senator MURRAY. You think yet then that some good results may come from Government efforts?

Mr. MORROW. If we are willing to learn by the mistakes that appear from that experience.

The CHAIRMAN. But you and the other operators do not entirely agree about whether it was a mistake or not to enact this Guffey coal bill?

Mr. MORROW. We are not talking about that any more. Once the law went into effect the attitude was, "This is the law; let's make it work the best we can."

The CHAIRMAN. We have learned what they think about it, and they say it is all right; and then we learn what you think about it, and it is all wrong.

Mr. MORROW. I didn't say that. I said it will have certain unfortunate effects as we go along. As those can be appraised, we will have to take appropriate action to remedy them.

The CHAIRMAN. Do the operators agree with you as to how it should be amended, or do they differ with you and think it is all right?

Mr. MORROW. Many of them probably would agree with me, and many of them would not.

Senator MURRAY. Long before this present administration came into power your company operated at a deficit for many, many years.

Mr. MORROW. Yes, sir.

Senator MURRAY. But you, through your subsidiaries, were able to make profits.

Mr. MORROW. No; we did not make profits in recent years. We were not able to do that.

Senator MURRAY. But you were able to keep going, notwithstanding the fact that you were showing a deficit in your Pittsburgh coal business.

Mr. MORROW. Yes, sir; we kept going, hoping sometime we would get along better.

The CHAIRMAN. But you increased your production from 1932 to 1937.

Mr. MORROW. Oh, some years before that our production was 24,000,000 tons.

The CHAIRMAN. How long ago?

Mr. MORROW. 1913, '14, '15, '16, '17.

The CHAIRMAN. But from 1932 you increased every year until August of 1937?

Mr. MORROW. Yes.

The CHAIRMAN. Then everybody lost confidence that month. I went out of the country for 6 weeks, myself, when that happened. Maybe that caused it.

What happened that month, that one month?

Mr. MORROW. It did not all happen that one month, Senator. What happened was that customers did not take as much coal as they had been, their business was not so good.

The CHAIRMAN. I think that is right. Now, all that we have been told by gentlemen representing other industries was that they had overconfidence, and they bought more each month because their sales went up, in such places as Sears, Roebuck, and General Motors. It was not any lack of confidence, they said. They had too much confidence up to last fall. Your belief is that they had lack of confidence, and they said they had too much confidence.

Mr. MORROW. No; I am not disagreeing with them at all. It wasn't altogether too much confidence, either. They felt over a period of months there in 1936 and the early part of 1937 that the prospects were for still higher prices, and it seemed advisable to increase inventories. Then there came a time, during the summer, when they decided all at once they were a little overloaded with inventories, because the orders from their customers had begun to slip.

Senator CLARK. Did the price of coal go up in that period?

Mr. MORROW. No; it went down.

Senator CLARK. No; this period before that.

Mr. MORROW. As I said before, in the case of our own company our prices slipped about 1½ cents a ton between the 1st of April and the 1st of August, but from the 1st of August to the end of the year our average price dropped off 3½ cents a ton. We were trying to hold our prices up and we lost 1,500,000 tons of business trying to do that. I don't think we would have got the business if we had reduced them, as far as that is concerned.

The CHAIRMAN. Thank you, Mr. Morrow. We will take a recess until 2 o'clock this afternoon.

(Thereupon, at 12 m., a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2 p. m. pursuant to the taking of the recess.)

The CHAIRMAN. Mr. Aldrich.

STATEMENT OF WINTHROP W. ALDRICH, CHAIRMAN OF THE BOARD, CHASE NATIONAL BANK

The CHAIRMAN. Mr. Aldrich, you are president of the Chase National Bank?

Mr. ALDRICH. Chairman of the board.

The CHAIRMAN. Chairman of the board?

Mr. ALDRICH. Yes.

The CHAIRMAN. You are in Washington, not for the purpose of attending this committee, but on some other business?

Mr. ALDRICH. Yes, sir.

The CHAIRMAN. I will say to the members of the committee, that, meeting Mr. Aldrich this morning, I asked him to come to this session this afternoon, for the purpose of letting me ask him, in an informal way, and without giving him time to prepare any statement, his views on certain questions. We have been engaged, Mr. Aldrich, in an inquiry as to the unemployment situation, and have been inquiring as to what suggestions can be offered to us by representatives of industry and of labor as to any legislation that Congress might enact to provide a remedy for the present recession in business.

A number of gentlemen who have appeared have emphasized the lack of capital for investment purposes at this time. I want to ask you if you will tell us what your information is as to the capital investment market at this time, the willingness of capital to invest, and, if their statements be true that there is an unfortunate condition existing in that market, what Congress can do in the situation, if anything to remedy it.

Mr. ALDRICH. Mr. Chairman, of course, the state of the capital market is particularly important in connection with the heavy-goods industries, and the unemployment in those industries, as you know, has been continuous for a great many years, and, while employment in the consumers goods industries has increased, employment in the capital-goods industries has not increased in anything like the same proportion.

If the heavy-goods industries, and the industries which contribute to the consumption of the heavy goods were in a position to go forward and acquire the capital that is necessary, I think it would have a very great effect in producing more employment.

The questions involved in the weakness of the capital markets are rather complex, I think.

Of course, the recent recession in business, which occurred after August, was a great surprise to most people, and I think that when the stock market first began to go down almost everybody was not only very much surprised, but almost incredulous, because of the fact that at that time the business indices did not indicate a condition which would appear to justify it.

In the past I have talked about the technical condition of the stock market, the thinness, as one expresses it, of the stock market that was found to exist at that time, and I have analyzed what seemed to me to be the reasons for that thinness.

Some of those reasons are reasons which have to do with the market itself, and others are reasons which have to do with policies of the Government, tax policies and other policies.

Of course, the capital market consists of corporate obligations, of long-term bonds and debentures, and also equity securities; and those obligations simply constitute bits of machinery which enable the individual investor to invest his funds in business enterprise, and, thereby, create business activity and employment.

And before the machinery can function at all, there has to be a desire on the part of the individual investor to invest his funds, either in corporate obligations, or in equity securities; and that implies, of course, confidence in the business future on the part of the investor, and I am using that in distinction to confidence of the businessman himself—the executive—in the future of business. I am speaking now of the confidence of the investor in the future of business.

That question of confidence of the investor in the future of business, of course, involves the question of business confidence, also, because the same factors that would create a lack of confidence in the business executive would probably create a lack of confidence in the investor and, vice versa.

GOVERNMENT POLICIES AND RECESSION

I think there has been a general feeling since the break in the stock market, which was followed by this very sharp business recession which, as we all know, is the most rapid and sharp decline we have ever experienced, that certain governmental policies contributed to that situation. Some of those policies have been in existence for some time; others are more recent. Of course, different people have different ideas as to which ones of these policies were more important than the others in bringing about this state of mind on the part of the investor.

I have tried, once or twice to analyze the situation, and to determine what those factors are.

I should say, and I imagine that I am in agreement with a great many others in saying it that, on the tax side, the high income taxes, the capital-gains tax in its present form, and above all other things, the undivided-profits tax, were the things which have slowed down the capital market.

Of course, while I am thoroughly in accord with the purposes of the Securities Exchange Act,[1] and the Securities Act,[1] I think there are certain matters in connection with those acts which might be restudied.

I have already expressed myself as feeling that certain of the regulatory actions in connection with the stock exchange might very well be reconsidered. As a matter of fact, I think the conferences that have been going on between the Securities Exchange Commission and the Stock Exchange will be very helpful in clarifying those things.

BALANCED BUDGET

Behind all of these factors, and I think, perhaps, the one thing that has caused more concern than anything else, is the continually unbalanced Budget. I have expressed myself with regard to that matter also a great many times, and you may remember that I have expressed myself as being thoroughly in accord with Secretary Morgenthau in his efforts to bring about a balanced Budget through saving; and I do not think the importance of that can be overemphasized.

Naturally, the investor does not like to make long-term commitments in bonds when he is faced with the situation which is created by a continually unbalanced Budget, and by constant Government deficit financing.

I think, apropos of this long-term uncertainty, it would be a very reassuring thing if the investors felt that the program of reform in connection with the securities market had reached a point where everybody had come to the conclusion that it was necessary so to continue from now on as to permit these markets to operate in a free and not unnecessarily restricted manner.

The CHAIRMAN. Mr. Aldrich, as long as I know that you have not had an opportunity to prepare a statement, would it disturb you if I should ask you a few questions as to some of the matters which you have mentioned?

Mr. ALDRICH. I shall be very glad to have you. In fact, it would make it easier for me if you would.

[1] Securities Exchange Act of 1934, June 6, 1934 (48 Stat. L., 881). Securities Act of 1934, amendment, May 27, 1936 (49 Stat. L., 1375).

The CHAIRMAN. Going back, I will say that this committee is not attempting, as I said the first day of the hearing, to prove who is responsible for the recession. Certainly we haven't any indictment against the bankers or against you. We are simply asking for information.

You mentioned, first, in discussing this matter, the effect of the tax on surplus, and you have expressed as your view that that would affect the situation, insofar as investors are concerned?

Mr. ALDRICH. Yes, sir.

CAPITAL GAINS TAX

The CHAIRMAN. That is a matter for the Congress. That is a matter that can be determined in any revenue legislation at this session. Then there is the capital-gains tax. You do not mean that you would oppose the principle of tax gains, but I assume you mean the failure to permit the investor to deduct losses.

Mr. ALDRICH. I have elsewhere expressed myself quite fully in regard to that. In the first place, Mr. Chairman, I do not contend that capital gain should not be taxed. I think that the capital-gains tax should be taken out of the income-tax category, and that capital gains should be taxed as a separate matter, and at a flat rate, or at a flat rate, graduated downward. I do not think that it ought to be any part of the income tax.

Senator CLARK. What do you mean by graduated downward? Do you mean that the tax should not increase as the size of the capital gains increases?

Mr. ALDRICH. No; what I meant is that I think that the capital-gains tax should be a flat tax, which should not have anything to do with income referred to at all, but should be on the capital gains itself. If there is any graduation it should be in accordance with the size of the capital gain and have nothing to do with income. I do not believe that it belongs in the income tax.

The CHAIRMAN. Those are two things. Then you mentioned the Securities Act. As I recall it, you were in favor of the enactment of legislation of that character.

Mr. ALDRICH. Yes, sir.

The CHAIRMAN. What regulation adopted by the Exchange Commission do you believe at this time is restricting the investment of capital?

Mr. ALDRICH. I went into that at great length in an address which I made in Rochester, and without going into detail as to the regulations themselves, the points which I made were that the regulations had the effect of restricting "informed" trading. I made a suggestion as to what might possibly be a feasible manner of permitting people who were informed to participate in the trading, by restricting their trading up and down, so that they would not be able to take advantage of inside information to initiate a movement, but that after a movement had started, they might be helpful in cushioning the movement so that it would not go too far.

I spoke of the margin requirements.

The CHAIRMAN. What about them?

Mr. ALDRICH. I think the margin requirements should be flexible. As a matter of fact, I think the theory of margin requirements was originally that the Federal Reserve Board should use the margin

requirements for the purpose of regulating the total amount of credit used in the markets, and that the margin requirements were not intended to make the loans themselves safer, because as the margin goes down there is no requirement that there should be any selling out or covering. That is left to the brokers and to the bankers.

I believe that the original conception of the act was that it should be a method of determining how much credit should be used in the market. I think if that is the case, that as the amount of credit used in the market goes down, the margin requirement might well be lowered and vice versa. In other words, that the margin requirements should be a more flexible thing than a fixed thing.

The CHAIRMAN. I, for the moment, do not recall whether the act itself so fixed it.

Mr. ALDRICH. The act leaves it to the Federal Reserve Board, I understand. It is not entirely clear, but it has been so construed, and I think it is a proper construction.

The CHAIRMAN. There are two matters within the jurisdiction of the Commission. Is there any other?

Mr. ALDRICH. One of those is within the jurisdiction of the Commission——

The CHAIRMAN. And one within the jurisdiction of the Federal Reserve Board.

Mr. ALDRICH. Then I think there has been, and perhaps of necessity, and I do not say this critically at all, a very great deal of activity, of an investigational sort, in connection with all kinds of trading, which has rather brought about a feeling on the part of investors that they might not wish to go into the market.

Then there have been restrictions on specialists and floor traders, as to the nature of which, being very technical, I did not make any definite suggestion, but simply suggested that they be studied so that as much flexibility as possible would exist.

As a matter of fact, I think that the whole subject, since that time, has had most careful consideration by the Securities and Exchange Commission and the stock exchange, and there is a committee, which was appointed by the stock exchange, working on the question of the possibility of reorganization of the set-up of the exchange.

The CHAIRMAN. Of the stock exchange itself?

Mr. ALDRICH. Yes; and I think those questions are on the way to be settled.

The CHAIRMAN. That is, having a president who will give all of his time to the management of the exchange?

Mr. ALDRICH. Yes, sir.

The CHAIRMAN. That is now being considered by the exchange?

Mr. ALDRICH. Yes.

There was one thing that rather disturbed me, but I think I was unduly disturbed about it, and that is that there seemed to be a feeling in some quarters that it was not necessary to have a broad and liquid market; and it seemed to me that that was rather contrary to the feeling of Congress that securities which were dealt in by the banks should be marketable.

My own belief is that the market should be just as broad and as free as it possibly can be in view of the necessity of some kind of regulation to prevent abuses.

The CHAIRMAN. Is there anything else in connection with the regulations of the exchange that you wish to say?

Mr. ALDRICH. No, sir. I think I have mentioned the important points.

The CHAIRMAN. I think you were in favor of the Banking Act of 1933?

Mr. ALDRICH. Yes, sir.

The CHAIRMAN. And how about the act of 1935?

Mr. ALDRICH. Well, I was in favor of that, too.

COMMERCIAL BANKING CREDIT

The CHAIRMAN. Is there any amendment that you think of at this time that should be considered by the Congress, which would affect in any way, the credit situation which we are now discussing?

Mr. ALDRICH. I think, Mr. Chairman, that one thing that should be considered is whether there is enough capital available in the investment banking field.

Now, I have formerly stated, and still maintain the belief completely, that commercial banks should not participate in either the origination or the distribution of securities. It seems to me to be worthy of serious study as to whether some method can be worked out by which commercial banking credit can be made available to assist investment bankers in the flotation of securities.

The CHAIRMAN. You do not suggest that they should be given the power to originate it?

Mr. ALDRICH. I do not think they should be.

The CHAIRMAN. Simply whether they should have the power to make a commitment, say, as to a part of an issue?

Mr. ALDRICH. That is correct, yes; providing——

The CHAIRMAN. Providing it does not exceed the amount they are now permitted to buy?

Mr. ALDRICH. I would not want to make, offhand, a suggestion about it, but it would seem to me that if the commercial banks could commit themselves to purchase from investment bankers securities of the type they are now permitted to invest in, that that might not be too wide an extension of that power.

The CHAIRMAN. Is there any other amendment to that act that your experience would cause you to suggest?

Mr. ALDRICH. Not with regard to the machinery of the capital market, except that, I think, and I do not speak on this subject as an expert at all, that the provisions of the Securities Act, with regard to operation by investment bankers, in some respects, might be restudied. However, I think that that matter is, undoubtedly, being considered by the Securities and Exchange Commission itself, and I would not want to venture any comment on that.

UNDISTRIBUTED PROFITS TAX

The CHAIRMAN. If the undistributed-earnings tax is as important as so many gentlemen believe it is in connection with this industrial recession, how do you figure that it did not make itself felt until so late in 1937?

Mr. ALDRICH. I have forgotten exactly when it was passed, Mr. Chairman. Do you remember the date it was passed?[1]

[1] Revenue Act of 1936, passed June 22, 1936. Sec. 14, undistributed profits tax (49 Stat. L. 1655).

The CHAIRMAN. You remember the payment of dividends——

Mr. ALDRICH. It was about a year ago, wasn't it?

The CHAIRMAN. You remember, certainly, the result of it, in the payment of dividends in the preceding year?

Mr. ALDRICH. Yes; I think it was passed—was it in April or——

The CHAIRMAN. Certainly in the early part of that year.

Mr. ALDRICH. The early part of the year.

The CHAIRMAN. Senator Clark says it was in the summer of 1935.

Mr. ALDRICH. The effect which it does have is to bring about, in the case of the smaller corporations, and, also, very largely in the case of the larger corporations, a distribution of income in dividends rather than the creation of a surplus account, and the investment of that account in plant and improvements.

At the time that act was passed I think everybody who gave it much consideration felt that it would be extremely detrimental to business. My bank issued a pamphlet at that time which was called "Eating the Seed Corn," which was a very elaborate consideration of the effect of that act; and we have felt right straight along that the ultimate result of it would be a recession in business, because it prevented the building up of reserves—not prevented—that is too strong a word; but it had a tendency to prevent the building up of reserves and the reinvestment of capital in the enterprise. I think it is just the cumulative effect of it. It did not take effect in its retardation of business as soon as a great many people thought it would.

The CHAIRMAN. When did the first sign of slowing down of business make itself felt in your bank?

Mr. ALDRICH. To tell you the truth, at the time when the stock market first dropped we did not see any signs of a recession of business, and it did not appear in the figures. It did not appear anywhere until well into September, in my opinion. I think some people might, by hindsight, say they had seen some signs of it from the middle of August on. I certainly did not appreciate it myself until well along in September.

The CHAIRMAN. Did the conditions abroad, the political uncertainties in Europe, contribute in any way to the uncertainty here?

Mr. ALDRICH. Do you mean the business uncertainty?

The CHAIRMAN. Yes.

Mr. ALDRICH. Yes; I think that it did. I think that one of the things that has made it so difficult here is the continued slackness in foreign trade, generally, and I think that there was unsettlement here, and, of course, there still is, on account of the world situation.

The CHAIRMAN. Do you know of any specific investments in projects that have been postponed because of the prevailing uncertainty to which you refer?

Mr. ALDRICH. Do you mean giving names, and so forth?

The CHAIRMAN. Do you know of them? If you do not care to specify I will not ask you; but if you are in a position to give us that we would like to have it.

UTILITIES FEAR GOVERNMENT COMPETITION

Mr. ALDRICH. I think the condition is clearly true in the utility industry, as a whole. As one of the utility men expressed it to me the other day, the utility industry is simply bursting to go ahead.

The consumption of power reached its all-time peak in 1930, and at the beginning of this year it was up to about that same point. I do not think that there is any doubt but what the utilities will move ahead very fast if these uncertainties can be removed.

The CHAIRMAN. You believe that the utility field offers great hope at this time for improvement insofar as employment is concerned?

Mr. ALDRICH. Yes. I have not seen the statement, but I understand the President made a statement on that subject today, in which he said—I have not the exact phraseology, but it was to the effect that no further appropriations would be made for advances to municipalities to construct power plants. I think the fear of competition by Government has been one of the things that held that situation back, and I would assume that that statement was broad enough to mean distribution lines, as well as power plants; and I should think that statement would be very reassuring.

The CHAIRMAN. Do you think that the increase in reserve requirements the last quarter of 1936 and the first quarter of 1937 affected the situation in any respect?

Mr. ALDRICH. No; I do not.

The CHAIRMAN. You were in favor of that?

Mr. ALDRICH. Yes; I was.

The CHAIRMAN. Do you think there should be any change at this time?

Mr. ALDRICH. No; I do not. The reserves are upwards of a billion dollars. As you know, interest rates are very low. I do not think there has been any call anywhere for a change in the reserve requirements.

SURPLUS PROFITS TAX A CAUSE OF RECESSION

The CHAIRMAN. You said a few moments ago that you were of the opinion that the enactment of the tax on surplus would ultimately result in a business recession?

Mr. ALDRICH. Yes.

The CHAIRMAN. Did that fact cause you and other bankers to exercise greater caution in making loans?

Mr. ALDRICH. I think it would create a certain feeling of uneasiness, but each loan, of course, would stand on its own feet with regard to the situation of the corporation to which you make it.

The CHAIRMAN. Loans actually increased, however, did they not?

Mr. ALDRICH. Yes; loans increased.

The CHAIRMAN. Bank loans increased?

Mr. ALDRICH. Yes.

The CHAIRMAN. They were not so confident of that ultimate recession that it prevented them from making loans?

Mr ALDRICH. I do not think that anybody foresaw the actual recession at all. I think there was a feeling that that was an unwise act and that, eventually, it would have a very detrimental effect, but up to the time when the figures actually began to show it, which, as I recall it, was somewhere about the middle of September, I do not think anybody foresaw it.

Senator CLARK. That act was passed in August 1935, the last day of the session—I have forgotten the exact date—and signed within a few days thereafter. If it caused a feeling in the minds of businessmen and bankers that it was going to cause a recession—and, let me

say that I was not in sympathy with the act, and voted against it—how did it happen that business did continue to suddenly improve for more than 2 years after that? Everybody having in contemplation in August 1935 that it would go into effect, and with taxes for 1936 staring them in the face, how did it happen that business continued to improve steadily for 2 years, and then suddenly dropped off? That is what the committee is trying to figure out.

Mr. ALDRICH. I think that is a very interesting question. All of these things are very complex.

Senator CLARK. I understand that.

Mr. ALDRICH. I think the thing which started the rise in business was the end of N. R. A. I think it took place right at that point—the start. I think the reproduction demands, the replacement demands, and the natural results of what had occurred in the economic world, brought about an upturn of the business cycle, and I think that a great many factors contributed to it.

I think that the consumer demand was such in a great many fields, like the automobile field, that production had to increase to keep up with it.

I do not think that any one of these things is controlling. I do not think that any one factor ever can create a recession or an advance in business activities. I think a thousand different things would come into it.

Senator CLARK. Let me interrupt to say that I was mistaken as to the date of the passage of the act. I think it was at the end of the preceding session, which would have been 1936.

Mr. ALDRICH. Yes. You said 1935.

Senator CLARK. Yes. I was mistaken in the session.

Mr. ALDRICH. I know that that was inadvertent. The effect of these things is cumulative; if a corporation is expending what finally proves to be an undue amount for dividends, and finds itself suddenly in a position where it has not got sufficient working capital, and that might not become evident in a year or 2 years—every one of these things, looking at it from my point of view, depends on the situation of the individual corporation involved, and I do not think that you can see these things until after they have happened. That is the unfortunate thing about it.

The CHAIRMAN. Do you consider the conservation of soil and of forests a good investment?

Mr. ALDRICH. Definitely; yes, sir.

The CHAIRMAN. If the United States was a business corporation dealing with you, you would consider that an expenditure for conserving assets of that kind as sound use of funds, would you?

Mr. ALDRICH. Yes.

Senator LODGE. The former Senator Gore, who is here, has looked up the date of the passage of the tax law, and he says that it was enacted June 22, 1936.

Mr. ALDRICH. That is about when it was. I thought it was April.

The CHAIRMAN. If the Government spends money for purposes of that character you would consider it in a different class from expenditures that were not conserving assets?

Mr. ALDRICH. Yes; I would.

The CHAIRMAN. Whenever we have a business recession you would consider it sound policy to do public works, and have public construction at that time, rather than at any other period?

Mr. ALDRICH. Yes; I would.

The CHAIRMAN. It would take up the slack in employment?

Mr. ALDRICH. Yes. I think that statement, as such, is true.

The CHAIRMAN. Would you think that a public work of undoubted value would have to be self-liquidating in order to make it a sound investment, or would you consider it in some instances just as the construction of the home office of a corporation might be; it might bring in no dividends, but it would be essential. It would be an investment of the corporation.

Mr. ALDRICH. I think, undoubtedly, there are a great many public works that are necessary that are not self-liquidating.

The CHAIRMAN. And they would, undoubtedly, be of value; such things as a school building, or a bridge?

Mr. ALDRICH. Undoubtedly.

The CHAIRMAN. You would not think it was an unwise policy on the part of a corporation to issue bonds to construct a home office building, or a thing of that kind?

Mr. ALDRICH. No, sir.

The CHAIRMAN. It does not follow, then, that it is unwise for the Government to spend money for the construction of school buildings or post-office buildings, or buildings of that character, that are essential for the conduct of the Government's business?

Mr. ALDRICH. I would not want to see the Federal Government constructing schools.

The CHAIRMAN. The Federal Government, as you know, has been contributing in the way of granting funds for P. W. A. construction?

Mr. ALDRICH. Yes, sir.

The CHAIRMAN. You would consider the expenditure of 1 billion dollars for construction of that kind, for things of actual value, better than an expenditure of a billion and a half dollars for things that were not of permanent value, would you not?

Mr. ALDRICH. Yes; I would.

The CHAIRMAN. It is contributing something to the assets of the Nation?

Mr. ALDRICH. I think that is correct.

The CHAIRMAN. Mr. Aldrich, I want to ask you, with your knowledge of the business situation, whether you are pessimistic about the situation, or whether you believe there is no good reason for anybody being panicky about this condition; and that it is but temporary?

Mr. ALDRICH. Well, of course, Mr. Chairman, I always try not to make any prophesies about an economic situation, and I rather hesitate to say that I believe any economic situation is temporary; but I do feel this, that if we could get the Budget into balance, and if we could get sincere and mutually trustful cooperation between the Government and not only business, but the investing public, and thereby completely reestablish confidence, I see no reason why this country should not go ahead in a wonderful way. We have not got any situation which requires tremendous liquidation. Our banking system is perfectly sound. There are certain lacks of balance in our economy, but the principal trouble with the situation, as I see it, is lack of confidence on the part of the public caused by the things I have mentioned and by lack of consistency of policy on the part of the Government.

I think that if everybody could feel that the Government had adopted a policy which would result in the balancing of the Budget and that the Government did not intend to continue to compete with private endeavor; and if we could all talk to each other with complete confidence in each other—I see no reason why this country should not go ahead in the greatest possible way.

The CHAIRMAN. I asked General Wood the other day if representatives of capital, labor, and of the Government could get together around a table and give sympathetic consideration to the views of each other, it might contribute to the end of this recession, as we call it. What do you think about that?

Mr. ALDRICH. I do not think there is any doubt about that at all. I am sure it would.

RELIEF AND DEFENSE EXPENDITURES

The CHAIRMAN. I only want to say this with reference to balancing the Budget; with national defense expenditures, with the unemployment situation demanding expenditures for relief, I confess that I am not optimistic about any immediate balancing of the Budget. Do you see how it can be done?

Mr. ALDRICH. It seems to me that the principal problem here is the unemployment problem, not only in itself, but because of the fact that it is a symptom of the economic trouble with which we are all concerned. I do not think that mere conferences and, of course, you do not mean that——

The CHAIRMAN. No.

Mr. ALDRICH. Between business, Government, and labor, will accomplish anything. There have to be conferences followed by action, plus a complete working together of all three groups for the end which is best for the country.

I have not the slightest doubt but what if that could be brought about all along the line we would be able to solve these problems.

Many of the things that are bringing about an unbalancing of the Budget are the very problems with which we are dealing; and I think that it would be very much easier to balance the Budget if we could bring about a cooperative approach by business, labor, and Government to the solution of these problems. I agree with you that the problem of national defense is going to make it much more difficult to balance the Budget.

The CHAIRMAN. And the problem of relief, growing out of unemployment.

Mr. ALDRICH. Yes, that is perfectly true. But, on the other hand, if we can solve the unemployment situation by restoring the business and industrial activity which should exist, by the same token we take that problem out of the Budget.

The CHAIRMAN. There are only two ways that I know of by which you can give jobs, and those are, by capital seeing that it can give jobs and make a profit, and, if you cannot do that, then let the Government give people jobs. Do you agree with that?

Mr. ALDRICH. Yes, I agree with that. But, of course, in my opinion, government cannot give the jobs indefinitely because government is itself dependent upon the productive efforts of business and industry to raise the taxes which are necessary to give the jobs.

The CHAIRMAN. But government cannot permit people to go without food.

Mr. ALDRICH. Of course not.

The CHAIRMAN. You agree to that, do you not?

Mr. ALDRICH. Yes. It is hardly necessary to ask me that question, Mr. Chairman.

FEDERAL VERSUS LOCAL RELIEF ADMINISTRATION

The CHAIRMAN. Therefore, with the necessary expenditures for relief at this time, and those necessary for national defense, I do not know that we ought to have any hope for merely balancing the Budget. I hope the return of business prosperity does not rest entirely on that.

Mr. ALDRICH. Of course, I am one of those who believe, Mr. Chairman, that relief would be very much better administered if it went back to the States, and I think it would be very much cheaper.

The CHAIRMAN. It would be cheaper, but would you be in favor of the dole instead of letting men work?

Mr. ALDRICH. No, I would not, but I think there is a distinction between letting the local authorities determine to what extent work programs shall be carried on by the unemployed, and to what extent relief shall be given by home relief. Personally, I think it is a local problem, which should be administered locally, and it is so administered now in a great many cases, under certain circumstances. In New York it is administered locally, to a very large degree. I think that the expenditures by the Federal Government, outside of the public works to which you have already referred should be made by grants in aid to the States rather than by the direct creation of work relief by the Federal Government.

There are two different things. There is work relief locally, and the Federal public works program. The public works program is sound if it is a desirable program. Work relief is sound if and to the extent that it is not merely the moving of earth from one place to another. I agree that insofar as work relief can be soundly given, it is better for the recipient of relief.

The CHAIRMAN. What do you say about the proposal that I heard last year, to require the States or local governments to increase the contribution of the sponsor?

Mr. ALDRICH. I think that is desirable. I beg your pardon. May I hear that question again, please, Mr. Chairman?

The CHAIRMAN. What do you say to the proposition that would require the local Government, as sponsor of the project to make a larger contribution, and a uniform contribution throughout the country, to the cost of a project, whether you put it at 25 percent or what; do you think if the local Governments are required to put up a percentage of the cost of the project they would exercise greater care in selecting the project?

Mr. ALDRICH. I should think that if that were done it would be a very wise thing.

The CHAIRMAN. New York State was contributing less than other States to the W. P. A. projects at that time. That is one reason I was asking the question. I will say, however, the fact was also mentioned by the officials of New York City that they did have very large expenditures for direct relief, outside of W. P. A.

Mr. ALDRICH. I think the principal thing that you would be trying to accomplish would be to foster a sense of responsibiliy on the part of the local community.

The CHAIRMAN. Yes.

Mr. ALDRICH. If relief were locally administered and locally contributed to it would have that result. Of course, I believe everybody recognizes the tremendous problem which the Government has in connection with relief and in connection with defense; but everybody also realizes the tremendous problem which is involved in the necessity of ultimately balancing the Budget.

The CHAIRMAN. There is no question about that.

Senator MURRAY. You feel that it is of the utmost importance that there should be a reestablishment of confidence and cooperation between business and the Government?

Mr. ALDRICH. It seems to me it is vital.

Senator MURRAY. Do you think there has not been a spirit of cooperation on the part of the Government with business?

Mr. ALDRICH. I think that many Government policies, such as that which exists or has existed in connection with utilities, where fear has been created of Government competition, is most unfortunate. I think that some of the tax policies of the Government have been unfortunate.

GOVERNMENT COMPETITION WITH UTILITIES

Senator MURRAY. The Government competition with private business has been very insignificant, has it not?

Mr. ALDRICH. It is the effect of the threat involved, you see. The late decision of the Supreme Court of the United States on the right of the Government to grant money to municipalities for the purpose of constructing power plants would appear to open wide the door to competition with the utilities. I have not had an opportunity to examine all its implications.[1]

Senator MURRAY. Of course, you knew that under the first campaign under which the present administration came into power that was one of the important issues in the campaign, that there should be some regulation of public utilities and utility-holding companies.

Mr. ALDRICH. Oh, I wouldn't be in the slightest degree opposed to the regulation of utilities. The thing that I think is disturbing to the investment public is the threat of competition as distinguished from regulation.

Senator MURRAY. And you believe also, do you, that the Government was justified in its policy of regulating the stock exchanges?

Mr. ALDRICH. Definitely.

Senator MURRAY. And you have had no objection to the measures that have been put in force for the purpose of regulating the stock exchanges of the country?

Mr. ALDRICH. Not in the least, as far as their purpose is concerned.

Senator MURRAY. You realize, of course, that it was the evils in the investment field, the evils that obtained in the stock exchanges of the country, that contributed largely to the great depression that came upon the country?

[1] *Alabama Power Co.* v. *Ickes*, and *Duke Power Co.* v. *Greenwood Co.* (Op. Sutherland, Jan. 3, 1938).

Mr. ALDRICH. I do not think there is any question about that.

Senator MURRAY. And you realize, therefore, that the present administration was absolutely justified in following out all those policies that they advocated during the campaign, and under which President Roosevelt was elected?

Mr. ALDRICH. Well, that is a little bit broader than I would be willing to say "Yes" to at the moment.

Senator MURRAY. Then will you tell me what particular measures were adopted by the present administration that you think were detrimental to business and have created a feeling of insecurity on the part of the investment public?

Mr. ALDRICH. Well, I think that one of the primary ones is the fear of competition by the Government with the utilities, which happens to be a very important point, because of the fact that the utilities have been held back by fear of Government competition, in the sense of the loss of confidence of investors in their securities, and the loss of confidence generally in the enterprise has been a rather major factor in the holding back of the capital-goods industries.

I have already indicated that I thought that the undivided-profits tax is another matter where the policies of the Government have contributed to the loss of confidence by the investors. I think, myself, that the present form of the capital-gains tax is a similar case.

Senator, I don't believe it is a good thing for anybody to come before a committee or anywhere else and say they think that the policies of the Government have created a lack of confidence unless they can say just what it is they are talking about, and I am sure that——

Senator MURRAY. One of the very first acts of the present administration was to show its desire to cooperate with business; was it not?

Mr. ALDRICH. That is perfectly true.

Senator MURRAY. For instance, the very first act that was established by the present administration was the act bringing relief to the banking business of the country.

Mr. ALDRICH. That is correct.

Senator MURRAY. That was Public Act No. 1.

Mr. ALDRICH. That is correct.

Senator MURRAY. And that had a tremendous effect in reestablishing confidence in the country.

Mr. ALDRICH. Absolutely.

Senator MURRAY. The Guaranteed Deposits Insurance Act has had a tremendous influence in establishing confidence on the part of the people of the country in banks.

Mr. ALDRICH. Well, I am not so sure about that. I, personally, am opposed to the theory of guaranteed bank deposits, but a great many people would say "Yes" to that.

Senator MURRAY. Well, prior to the enactment of that act we had thousands of banks failing in the country practically every year; did we not?

Mr. ALDRICH. Yes, that is true.

Senator MURRAY. Just prior to the advent of the present administration.

Mr. ALDRICH. That is correct.

Senator MURRAY. And, since the enactment of that act, that situation has been cleared up, and we do not have those bank failures any more.

Mr. ALDRICH. Well, I don't know whether that is brought about by the provisions of the Federal Deposits Insurance Act. I would be inclined to think that the situation has been such that conditions have not arisen in which those banks would be liable to fail. I do not say that the Federal Deposit Insurance Act has not been a contributing factor to the confidence of the public in those banks. I personally do not happen to agree with the economic theory of that act, but I would not want to say either that it prevented banks from failing, because I don't know whether that is true or not; I doubt it.

Senator MURRAY. But it has been given general credit in the country for that?

Mr. ALDRICH. That is correct.

Senator MURRAY. Not only by depositors but by bankers.

Mr. ALDRICH. That is correct.

Senator MURRAY. All of those evils that existed in Wall Street prior to 1929 were under the control of the stock exchange and under the control of the banking business of the country, that they could have regulated themselves if they had seen fit to do so; isn't that true?

Mr. ALDRICH. Yes; I should think that was true, if they had appreciated the fact that the abuses to which you refer might exist. Of course, some of them were not anticipated by anybody, I believe.

STOCK EXCHANGE PRACTICES

Senator MURRAY. They made no effort whatever to regulate the evils of the stock exchange, and permitted the country——

Mr. ALDRICH. Oh, I don't think that is true. I think the stock exchange made great efforts to regulate the practices on the exchange. I am not an expert on the stock exchange but just from general knowledge I should say that.

Senator MURRAY. Well, as a result of the way the stock exchange was operated it was possible for investors of this country to have been looted out of billions of dollars prior to 1929; isn't that true?

Mr. ALDRICH. Well, I wouldn't think that was so. I think that there were a good many abuses, both in finance and on the stock exchange, and I think there were many cases of tragic failures of judgment and some cases of failures of personal integrity, but I wouldn't want to see the statement made as broadly as that.

Senator MURRAY. And, of course, that resulted in creating a feeling in the minds of the public generally that it was dangerous for them to have anything to do with the investment business in New York.

Mr. ALDRICH. Well, my feeling about that is that it is the best thing for the country that the exchanges and markets should be regulated by the Government. I am not against Government regulation. The public should have full confidence in dealing on those exchanges; at the same time, I do not think that the regulation should go so far as to in any way hamper the usefulness of the exchange.

Senator MURRAY. But it should go far enough to prevent the general public from being defrauded by the manipulations of the stock exchanges.

Mr. ALDRICH. Senator, I do not think there is any responsible person who does not think that.

Senator MURRAY. Now, the big banking institutions of the country contributed to those conditions just as much as the stock exchange itself; did they not? They were all engaged in that wild gamble that

was going on at that time, and they had helped in floating and passing out to the people of this country securities that were absolutely unjustified.

Mr. ALDRICH. Well, there again I wouldn't put it quite that way. I think certain individual bankers, under a system of which I never have approved, and which has since been corrected, did things which resulted in securities being sold through their affiliates which were unsound and which created a very serious and unfortunate situation.

I think that, generally speaking, the responsible banker, the responsible member of the stock exchange, would feel exactly the same way as a responsible member of the Senate would about all these questions, and I think there should be no disagreement at all among any of us. These things should be regulated; they should be regulated so that abuses cannot exist; but, at the same time, they should be so regulated that their functions are not impaired, and I think the whole problem is working the thing out so that both of those results are accomplished.

Senator MURRAY. You think there should be a complete spirit of cooperation between business, banking, and the Government for the purpose of wiping out these evils?

Mr. ALDRICH. That is correct; I do. And, Senator, if I may say so, you asked me where I thought the Government did not cooperate. The one thing about the attitude of some members of the Government—I do not say it is the attitude of the Government—that I think is particularly unfortunate is the failure to distinguish between the individuals engaged in business who do things that are properly criticized, that result in fraud, and result in improper practices, from the great mass of men who feel exactly the way you do, that those things should be stopped. I think that the inflammatory statements that are made by members of the Government in regard to business in general constitute one of the most unfortunate aspects of the situation which has existed, and those of us who feel the way you do about these abuses are put in a most unfortunate position when blanket indictments are hurled at business and at finance, and I think you appreciate that yourself.

Senator MURRAY. You feel, of course, also, don't you, that inflammatory statements which come from the banking and business fraternity of the country should be discontinued?

Mr. ALDRICH. Why, absolutely. The thing that should happen now, it seems to me, is that both sides should assume that the people they are dealing with are acting in good faith.

Senator MURRAY. But there has not been any tendency on the part of business to discontinue that situation.

Mr. ALDRICH. Well, Senator, if I may say so, I don't believe you can make that statement about finance or business—or refer to either of them and make a blanket statement. After all, government is a congregation of individuals and so is business, and if we all of us act with personal sincerity and goodwill we can soon differentiate the people that have not got it.

Senator MURRAY. But it is a fact, though, that there has been a constant flow of propaganda in the country undertaken to discredit the present administration. I don't know where it comes from, but you can hardly pick a paper up in the country but what you read that stuff daily.

Mr. ALDRICH. Well, there, again, I think that is one of those things as to which generalization is difficult. If it is propaganda it should be discontinued, but I don't believe the Government should accuse business of spreading propaganda or that business should accuse the Government of spreading propaganda.

Actually the whole situation would be better off without any propaganda by either group.

Senator MURRAY. You think the present tendency on the part of banking and business in the country is to try to cooperate with the Government?

Mr. ALDRICH. I should say that every businessman or banker of intelligence, large or small, realizes that as a patriotic citizen he cannot possibly do anything else. To my mind it is inconceivable that any intelligent man should have any other point of view.

Senator MURRAY. Has there been, during the past year, a tendency on the part of the big banking firms of New York City to hold down the applications for loans from around the country, telling them that there is an uncertainty prevailing?

Mr. ALDRICH. Absolutely not.

Senator MURRAY. You have done considerable business along that line with investments throughout the country?

Mr. ALDRICH. I don't get the question.

Senator MURRAY. You have had considerable to do with making loans to corporations carrying on business in various parts of the country?

Mr. ALDRICH. Oh, yes; a great deal; yes. We have some $600,000,000 of loans outstanding now.

Senator MURRAY. And you say that you know of no economic conditions existing in the country today that work against the possibility of prosperity in the country?

Mr. ALDRICH. I have already stated publicly, Senator, that I agree with the statement that President Roosevelt made a short time ago, when he went into some detail about the banking situation, differentiating it from 1929. I have considered these matters in detail and the answer generally is that I know of no such conditions which cannot be rectified. The thing which gives me more concern, Senator, than anything else, and I appreciate the difficulties of it as much as anybody, is this continually unbalanced Budget. That is the thing that bothers me; but in making loans or advising our customers with regard to their own policies, we do not do anything but pay attention to the condition of the company we are dealing with and the business it is in. We are not looking over our shoulder all the time at the Budget.

Senator MURRAY. Of course, you realize that it is absolutely essential for the Government to spend money to the extent necessary to take care of this relief problem?

Mr. ALDRICH. I do. The thing that I have been concerned about, and I have said so, is the possibility that the idea of priming the pump will rise again. I have been into that at length a number of times and I imagine everybody knows my views on that, but I tell you that, in all seriousness, every businessman that I know and every banker I know appreciates the danger of this Budget situation. I do not mean, when I say that, the fear of any immediate economic collapse. But in spite of their fears their one desire is to cooperate with the Govern-

ment of their country, and why shouldn't it be so? Their own interest clearly lies that way.

Senator MURRAY. Well, outside of the regulation of public utilities and these tax matters that you talk about, are they the only things you know of that are creating any feeling of fear?

Mr. ALDRICH. Senator, I am not talking about regulation of public utilities; I am talking about competing with them. Regulation of public utilities does not cause me any fear; it is the Government going into competition with private business that I am afraid of, and it is true not only in utilities but any other kind of private business. That is the thing I have referred to.

The CHAIRMAN. That is all, Mr. Aldrich. I am very much obliged to you.

(Witness excused.)

The CHAIRMAN. Is Father O'Grady here?

STATEMENT OF THE RT. REV. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

The CHAIRMAN. Father O'Grady, you are connected with the National Catholic Welfare Council?

Father O'GRADY. I am secretary of the National Conference of Catholic Charities.

The CHAIRMAN. I would be very glad if you would give to the committee a statement of your view with reference to the relief situation, and what you think could be done at this time with reference to that situation.

Father O'GRADY. I am particularly concerned about the situation at the present time because I fear there is grave danger that in dealing with this emergency we may tear down a whole series of rights that have been built up for the wage earners by long and hard struggle over many years.

When we consider the whole problem of unemployment, or any other hazard to which the wage earner is exposed, there are two methods of approach to it; there is the method of charity or of relief, and there is the method of building up a definite right or series of rights to complement the wage system.

In the old days, we used to take care of the victims of industrial accidents by charities. This system works fairly well under a simple economy. Under large-scale production, however, compensation for accidents came to be regarded as part of the cost of production, just as much as the wear and tear of machinery. The injured worker was no longer required to lean on charity. Workmen's compensation legislation gave him definite benefits during the period of his disability.

In the old days, too, there was a good deal of discipline associated with the dispensation of charity because there was a moral stigma attached to it. All through the nineteenth century we find this stigma attached to relief. It was generally thought there was something wrong with the man who was getting relief and hence it was that the wage-earning groups became articulate, and began to think of benefits other than relief. Then we began to get a very clear distinction between the type of poverty that grew out of the industrial system, that was the product of industrial hazards, and the type of poverty that was incidental to any system, no matter what kind it might have

been, and, therefore, on that basis, the labor groups struggled first among themselves to build up their own benefits.

If you study the history of labor in Great Britain or any other country you will find that labor began first to build up its own system of benefits, against old age, against unemployment, against premature death, of the head of the family, but in time, the workers found that the burden was too heavy, that they could not carry the burden any further, and hence they began to demand various forms of governmental benefits, which they considered as rights, not something coming from a beneficent state, nor from a private charitable association, not something in the administration of which there was to be associated a rigid discipline. It was a right because the worker was a victim of some sort of economic hazard.

In the development of these benefits in other countries you will find a rather interesting history because the thinking comes from the workers themselves—the thinking in regard to provision for the aged, for ill health, for invalidity, and for old age. It is the workers' own thinking, because the upper classes would much prefer to take care of them by some sort of system that would regulate their thinking as well as their lives—their ordinary, every-day living.

We have had that same development in this country. Beginning about 1906 you will find the wage earners themselves thinking about provisions for old age, and as you go along, you find them later thinking about workmen's compensation. The result was that we built up certain definite benefits, or systems of benefits for the aged, and, of course, for the victims of industrial accidents, before the coming of the Security Act and then, through this act, we made it possible to extend those benefits to wider groups, made them State-wide and Nation-wide in their application. We also added a system of old-age insurance and of employment compensation which has just gone into effect in 21 States. I have been in eight of those States and have seen the beginnings of the operation of that system.

We were not satisfied, of course, during the depression, merely with giving relief, and we were not satisfied merely with the building up of systems of compensation. We thought a good deal in terms of public works, but we have had a great variety of thinking in regard to public work during this period. However we have thought about it chiefly from two main standpoints.

We have thought about it as a pump priming experiment and we have thought about it from the standpoint of providing employment. Even in the days of Mr. Hoover you had these two points of view. Mr. Hoover was very much interested, as you remember, in the beginning of his administration, in the pump priming value of public works. Then, at the beginning of the present administration, we began our large Public Works Program through the Recovery Act of 1933 appropriating $3,300,000,000. After trying that we found that from the standpoint of relieving unemployment a large Public Works Program has certain limitations, certain handicaps. It requires long-term planning; it does not give a sufficiently large amount of employment for the funds expended; it does not provide sufficient variety of employment to suit the skills and to develop new skills among the wage earners; hence the administration determined on the works program of the Works Progress Administration.

It is a mistake, of course, to assume that this is entirely a new program. You have noticed in many of the addresses of our former President of the United States, Mr. Hoover, and also in many statements made in the Congress, and in some resolutions passed by the Congress, that the money available for road building, for instance, should be so expended as to give the maximum amount of employment to labor. You will find, for instance, written into the contracts in 1932 and 1931, a provision which bears a considerable degree of similarity to the program of this present Works Progress Administration. Your Senate, in 1932, appointed a committee, consisting of the great Senator Walsh of Montana, Senator Buckley of Ohio, and Senator Robinson, to formulate a program, and it is very significant what a resemblance their report bears to this present Works Program.

I am interested in the maintenance of the program of the Works Progress Administration because I think it has support all over the country. I find, from my contacts with, well, most of the States, and I have close contacts with a number, that the people, on the whole, are very much satisfied with this program. I find from my visits to some 30 cities during the past 3 weeks, that even in this recession the program is proving satisfactory. It is being extended to meet the needs of the present emergency. I feel that what is needed at the present time is to extend it still more.

I was particularly interested in the statements made by Mr. Taft yesterday, and also those made by your last witness, about turning this Works Progress back to the States. I think I know a little bit about State governments and how they operate, and how the relationship between the States and the Federal Government is determined. I am not very sympathetic toward this procedure just now, because I think it will get us into a great many tangled situations.

This question of relationship between the States and the Federal Government in the various categories of relief is creating at the present time a great many tangled situations, and I would prefer to see the Works Progress continued for the time being as a Federal program.

I think there is a sufficient amount of local autonomy under the present set-up of the Works Progress Administration. But I believe we ought to gradually develop a formula which will provide for local contributions; there is an average of 23 percent at the present time.

The CHAIRMAN. Would you mind if I interrupted you just a moment?

Father O'GRADY. Certainly not.

The CHAIRMAN. Is it your fear that if the appropriations were allotted to the States, as was suggested by Mr. Taft, that they would not be used by States for work relief? Or is it that you believe that they would not be well administered by the States?

Father O'GRADY. I think the money would be used for relief, all right. What I am afraid of, in regard to Mr. Taft's statement, is this: Basically, if you take Mr. Taft's statement, especially the original statement gotten out by the Committee for Community Mobilization for Human Needs, and, by the way, I notice they claim to speak for all the local relief agencies in the United States; that is not true, I am afraid. At least it is not entirely true.

The CHAIRMAN. You rather intimated that they did not speak for you.

Father O'GRADY. They do not include all agencies, in the first place. For instance, take a big city like Baltimore. The Community Chest in Baltimore does not include a great many of the large agencies. The same thing is true of Philadelphia and Newark. New York does not have any community chest. Chicago is not inclusive. You have a great many situations like that, and I know that the local people I have talked with have not given this much thought.

The CHAIRMAN. I did not read the original statement to which you refer. In fact, I do not think that when Mr. Taft first made the proposal he made the statement that he afterwards agreed to, in response to an inquiry of mine, that should that ever be done there should be a provision in the act requiring a certain percentage, fixed by statute, to be spent in work relief.

Senator LODGE. You could require all of it to be spent that way.

The CHAIRMAN. I think he agreed, by reason of statements recently made to him, that there was a greater demand for work relief as distinguished from direct relief, and that he was of the opinion that while there should be some requirement that a certain percentage, anyway, be spent for work relief, he did change his statement in that respect.

Father O'GRADY. Yes; I noticed that from a cursory reading of his testimony, but I think the Federal Government has done its duty if it has developed these categories, I mean assistance for old age, assistance for dependent children, and so forth. They are sufficiently broad. But the States are not taking advantage of them to the fullest extent now. I could mention one State after another that hasn't done it, so why ask more of the Federal Government? The States are not taking up what is available to them now. The benefits under the security program are very low. If the States continue these small benefits, with the Federal Government continuing its Work Program, I don't think it is too much to ask the local communities to shoulder the burden of whatever direct relief is needed. I am not assuming that we are going to continue with these same categories, that we are not going to add additional categories, that the Federal Government isn't going to face other types of industrial hazards to which the wage earner is exposed.

It has been stated that local communities are not spending any more money for relief. But they have in fact increased their expenditures for relief every year since 1933. In that year the expenditures for general relief were $312,000,000; in 1934, $412,000,000; in 1935, $468,000,000; and in 1936, $496,000,000. So I think the fact of the matter is, as I see it now, that a few weeks ago most of the people who were talking about the States discontinuing direct relief were really talking about abolishing work relief. They thought it was too expensive. Now they find it is very popular. The workers throughout the country like it; they think it is far superior to direct relief. What I am afraid of is that this turning of work relief back to the local communities is just an indirect method of attacking the Works Program. At least, that is the way I feel about it, from what I know of the temper of local communities in various States. It is an indirect effort to break it down, is my honest conviction in regard to this whole business.

Senator LODGE. Well, Father, if you could be assured that the money that the Federal Government contributed to the States would certainly be expended for work relief wouldn't you find some advantage in the way of improved administration, improved selection of personnel?

Father O'GRADY. No; I would not. Take your own State, for instance. What is the difference, when you get down to bedrock, between the expenditure of Federal funds for aid to dependent children, the aged, and the needy blind in your State and—of course, I could detail a number of differences, but I don't want to speak about them just now; I know the inside of quite a number of these States quite well—the expenditure for work relief?

Let's be realistic about it. There is just as much local determination, I think, right now in this W. P. A. in Massachusetts, as there is in any other field; just as much, practically. There may be differences in theory, but I think we stand a better chance right now of maintaining good standards of administration by retaining the W. P. A. under the Federal Government.

Under Federal control I think the type of projects are better; I think on the whole the personnel is better. I know their personnel pretty well in the various States. Of course, we all know what happens in a State when it comes to the appointment of a State administrator.

Senator LODGE. You don't think all the wisdom in the world is in Washington, though, do you Father?

Father O'GRADY. No; but when you are giving the States grants-in-aid, there is bound to be some control from Washington.

Senator LODGE. That's right.

Father O'GRADY. In other words, what is the precise difference realistically between the local determination of standards in the administration of the care of the aged in your State at the present time and in Works Progress Administration?

Take for instance, your State plan for the care of the aged. Even though it has to be approved in Washington, it is your State plan. It is initiated by the local group. It is the product of the thinking of the local group. The same holds true, practically speaking, of W. P. A.

I don't see much difference in the standards of these plans and those of W. P. A. I think it is just a metaphysical distinction.

Senator MURRAY. The localities determine absolutely the types of projects they get.

Father O'GRADY. You know what is happening in your State.

Senator MURRAY. Yes; and it depends on the local community as to what kind of project it is to have.

Father O'GRADY. That is exactly what happened in Helena and in Butte.

Senator MURRAY. We found in our State that we have been tremendously benefited by the W. P. A. program in every section of the State. The projects have been of a character that have been beneficial in every way, and isn't it also true that the local people determine who gets the relief? The Federal Government has nothing to do with that; that is determined by the local welfare board, so that the whole operation of W. P. A. at the present time is under local control. The Federal Government supplies the money. We, the

Federal Government, of course, check up on the projects, and approve them or disapprove them if we find anything wrong with them.

Ninety percent of the projects are approved, are they not?

Father O'GRADY. Yes, I think there is practically no distinction. I think this program is a very unusual program. It is flexible.

For instance, at the present time, when you have much uncertainty with regard to the business cycle, it would be very easy to use $100,000,000 at a point in the business cycle when it might be most effective, instead of waiting to plan these big projects, like building great big bridges, and so forth. Besides, W. P. A. projects have become more and more constructive.

There is criticism of W. P. A. on account of its cost. The average wage for unskilled labor on W. P. A. in the rural south is $21 a month, I understand. Now the opposing group talks about economy. What do they expect people to live on? Do they want to economize at the expense of human lives? The average wage for all W. P. A. workers throughout the country is $55 a month. Is that too high? Can you expect a family to live on less than that?

Before 1935 the average direct relief grant was about $30 a month. That included individuals getting very small relief orders. I suppose if you eliminated those people at the margin it would probably run just as high as the present expenditure for W. P. A. If Mr. Taft wants to say that $55 a month is too much, all right. I would like to hear someone say that publicly because then the people themselves would have an opportunity to pass on it.

Senator CLARK. The objection has always been made to W. P. A., particularly in view of the increasing number of unemployed at this time, and on account of the expected increase, during the winter months, that you either have to give up work relief or enormously increase the appropriation, inasmuch as you either have to employ on W. P. A. a certain number of favored unemployed and leave the others untaken care of or else spread it out thin.

Now, it was testified here the other day by the Assistant Director of the W. P. A., and I may say it surprised a number of the members of the committee, including myself, and everyone that heard it, that at the present time all of the unemployed, on relief, in need of work have been taken care of by the W. P. A.

Has that been your observation?

Father O'GRADY. Well, there is question as to what you mean by an unemployed person.

Senator CLARK. All of the employable on relief and subject to relief were being taken care of. Is that true?

Father O'GRADY. I think W. P. A. has gone further than even private business in periods of prosperity in giving employment to people. I find, as I look around these various projects, that they have gone a great way in taking on people that private business would never have absorbed even in its best days. I think the W. P. A. has done a very good job on that score; but, for example, here is a person with a handicap of some kind or another. He has had casual jobs for 10 or 15 years. They say he is employable. What is an employable person? That is very difficult to determine. Our normal method of determining it in the past has been by the labor market. We would say that if a person could get employment in the labor market in ordinary periods, he was employable.

That has been my experience. Then I think my second answer to that would be to refer again to what they are paying.

I think the third answer is that W. P. A. at the present time is carrying on quite a large part of the work program of your own city, for instance, of St. Louis.

Senator CLARK. That is very true.

Father O'GRADY. Certainly, if a city can save, and I know cities that are saving 10 percent a year in their budgets through work relief, now, if they can save that additional percentage, a city like St. Louis ought to be able to expend a little bit more in relief because of what she gets from W. P. A.

The CHAIRMAN. In view of the fact that they have been able to save money that ordinarily would be expended for local projects, don't you think that cities today ought to be able to take care of the direct-relief situation?

Father O'GRADY. I do. Yes; that is my feeling about it. Of course, we may have to extend W. P. A. now, to take care of this immediate program. I have been in several towns in North Carolina in the past few weeks and I have talked to the heads of various organizations; they said they have been extending it, taking on more people, as we have suggested, and they feel that on the whole they are meeting the needs.

Of course, in some cities take Chicago, for instance: What has Chicago done about its relief situation locally? You can meet people from Chicago who will tell you a lot of dire tales, but what have they done in that city? They say it is the fault of the State; they make trips to Springfield. If Chicago had done as much as St. Louis has, for instance, with regard to local expenditures for relief, the story would be different. But they have done very little; they simply talk about the obligations of the State and the obligations of the Federal Government.

The CHAIRMAN. They talk a lot about the latter.

Senator CLARK. I agree with you on that, but there is this much to be said as to the distribution of obligations between the Federal, State, and local governments. Not only since this depression, starting in 1929, but for some time before, the Federal Government has been preempting and, to some extent, drying up the sources of revenue within the States by taking various taxes that the State might otherwise have used, income taxes, gasoline taxes, and various other kinds of taxes; and the States, in turn, have been preempting and, to some extent, drying up the sources of revenue of the cities.

For instance, my own city, the city of St. Louis, had been doing its very utmost and had been doing an excellent job of handling the relief situation. They had a slight sales tax. The State comes along and takes 2 percent sales tax, and then it prohibits municipalities from levying a sales tax. Under our constitution the rate of taxation in the city of St. Louis and Kansas City cannot be increased, and there has been a dispute on ever since between the city and the State as to the extent to which aid ought to be extended to the city in handling relief. You run into all sorts of situations over the country that must be determined in settling the degree of responsibility.

Father O'GRADY. It is a very difficult formula to define. You would have to have a free fund. For instance, how would you take care of what happened in North and South Dakota in the past 2

years with a rigid formula? You have to have flexibility, but, of course, you know the problem you have here better than anybody else, because you know the inside of it.

It is very difficult to develop a flexible formula. Each State wants to get as much as the other State. One State says, "I am poor," and the next State says, "I am poor, also." Then you find that New York and Massachusetts say they are poor, too.

The CHAIRMAN. Father O'Grady, you have a prepared statement, but I think the statement you have made, if you permit me to say so, is more interesting than your prepared statement, and, with your permission, we will not print your prepared statement.

Father O'GRADY. That will be satisfactory to me, Senator.

(Witness excused.)

The CHAIRMAN. We will adjourn until 10 o'clock on Monday morning.

(Thereupon, at 3:45 p. m., the hearing was adjourned until Monday, January 17, 1938, at 10 a. m.)

UNEMPLOYMENT AND RELIEF

MONDAY, JANUARY 17, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch. Also: Alan Johnston, Esq., counsel for the committee.

The CHAIRMAN. The committee will come to order.

Mr. LaGuardia, will you take this seat, please?

STATEMENT OF HON. FIORELLO H. LaGUARDIA, MAYOR OF THE CITY OF NEW YORK

The CHAIRMAN. Mr. LaGuardia, would you be good enough to tell the committee, from your experience as mayor of the city of New York, the situation in your city today with reference to the unemployed, and particularly the effect upon the relief resources of the city of New York?

Mr. LaGUARDIA. Well, I suppose that I am the only person that appeared before your committee, or who will appear before your committee, that hasn't got a complete solution of the problem. I want to say at the outset that New York City, or any other city of the country, could not have existed during this period had it not been for Federal aid, and without Federal aid there isn't a city or a State in the Union that could carry the load.

The industrial centers, of course, are very hard hit, and we have had a slump or recession or a continued depression—the name doesn't make any difference, as far as the mayors are concerned, whether you call it a recession or a depression, the responsibilities and troubles are just about the same.

We have had an increased load in New York City jumping very rapidly, and our applications have increased very materially since September. We are picking up now, and we get about 6,500 to 7,447 applications for relief a week. The low since September was 2,781, the first week of September, and I think that that illustrates the

increase. The following table shows the weekly and daily trend of applications since September 10:

Applications, by weeks, Sept. 10, 1937, to Jan. 7, 1938

Week ending	Number of applications received	Average per day
1937		
September 10 [1]	2,781	695
17	3,695	739
24	3,661	732
October 1	4,123	825
8	4,465	893
15 [1]	3,843	961
22	4,591	918
29	5,040	1,008
November 5 [1]	4,251	1,063
12	4,343	869
19	5,449	1,090
26 [1]	4,801	1,200
December 3	6,500	1,300
10	6,940	1,388
17	7,059	1,412
24 [1]	7,447	1,655
31 [1]	6,115	1,359
1938		
January 7	6,443	1,289

[1] Indicates holiday.

The CHAIRMAN. What was the figure for the last week that you have?

Mr. LAGUARDIA. Six thousand four hundred forty-three.

The CHAIRMAN. Have you got those figures divided between employables and unemployables?

Mr. LAGUARDIA. Not the 6,000 but we have the figures divided between employables and unemployables. When we come to that, I will be glad to let you have it.

I would prefer if you would proceed with questions, and then I could answer as I go along because I don't want to make a speech. When I get started on this subject——

The CHAIRMAN. Have you checked up with the figures of the employment service?

Mr. LAGUARDIA. Yes.

The CHAIRMAN. Now, are those figures that you have given us the figures of the employment service or the figures of your local officials, of your State or city officials?

Mr. LAGUARDIA. These are the actual applications for relief.

The CHAIRMAN. To whom?

Mr. LAGUARDIA. To the city home relief bureau.

The CHAIRMAN. To the city home relief bureau?

Mr. LAGUARDIA. Yes.

The CHAIRMAN. Well, would that represent all, then, of the applications for relief, those that are made to the city home relief bureau?

Mr. LAGUARDIA. In New York City, the entire load first clears through there.

The CHAIRMAN. That is what I wanted to know.

Mr. LAGUARDIA. Yes, sir.

The CHAIRMAN. There, unlike other places, the whole load appears there.

Mr. LaGUARDIA. I want to make this clear, that insofar as New York City is concerned, there is complete coordination between the city home relief, and the Federal work relief. The Federal work relief takes its cases on certification of the home relief bureau, the direct relief bureau.

The CHAIRMAN. The organization certifies to the employment service, your city home bureau service.

Mr. LaGUARDIA. The relief bureau, the city bureau, certifies to the Works Progress Administration.

The one weak spot—and I say this without criticism—the one weak spot is that employment service. We haven't as yet coordinated the National Employment Service with relief work as well as they have in England.

The CHAIRMAN. Of course, I am interested in that; it was the thought that I had in mind, to ask whether or not the National Employment Service did tie in, in any way, with your local bureau.

Mr. LaGUARDIA. It ties in, but not as completely and as fully satisfactorily as the Works Progress Administration.

The CHAIRMAN. Have they been able to place in jobs any considerable number of those who apply for assistance to the relief bureau?

Mr. LaGUARDIA. The Employment Service?

The CHAIRMAN. Yes.

Mr. LaGUARDIA. No; but that is not a fair test, Senator. No employment service can be tested in this period by the number of people it places, because of the overwhelming number of applications. There are very few places available.

The CHAIRMAN. Well, we have had the representative of that Service before us, who has given us figures for the country as a whole, and not, of course, limited to the last few months, with the rather abnormal situation; but I was wondering whether in the city of New York, and the larger cities, they had been able to place as many men as the figures for the country seemed to indicate, or whether it was more successful elsewhere.

Mr. LaGUARDIA. I think that the greatest number of placements of what the employment bureau takes credit for is that transfer from home relief to work relief. Of course, we do all of the clearing in that and all of the investigating in that.

Senator CLARK. That is an articulation of the relief agency and the W. P. A. rather than the employment agencies.

Mr. LaGUARDIA. Yes, sir. Of course, in normal times, now that we have embarked on a security program, the employment division will be one of the most important, because it is through the employment division that eventually—and I am talking about normal times—the proper check-up will take place, so that those who are receiving relief, either unemployment or direct relief, will check through there, and report at intervals, and will be offered work, and then if they refuse work or are not genuinely looking for work, they will be stricken from the rolls.

The real function of this Employment Service will come later on, and in the meantime it ought to be preparing and growing up to that responsibility.

Senator CLARK. May I ask you this: From your experience, having in mind the situation that ought to exist when we come to its real

function, isn't that loss of effort and direction to have the unemployment service separated from the social-security activities?

Wouldn't it be your opinion that they should be articulated?

Mr. LAGUARDIA. That is my view, and that is the English system. It works very well. I attended some hearings of the English board in 1930, and we try to bring that about as much as we can in New York; and that is the check on your unemployment insurance and your direct relief.

If that clicks, then you are pretty sure that there is no imposition or no improper payments being made; but it isn't fair to the employment bureau at this stage to hold it responsible for its inability to offer jobs.

The CHAIRMAN. We are making plain that we are not seeking to criticize the employment service.

Having in mind the experience in England, their experience is that the employment service has someone in the confidence of industry, that industry advises them of the necessity for men in a given industry, and the employment service is in constant contact with the employers, and they have been able to place men; and I agree that that should be done here, and that is the objective, and we are simply inquiring to find out to what extent it now exists, in the hope that we may improve it.

Mr. LAGUARDIA. Senator, may I bring out the point that I think English business cooperates better?

The CHAIRMAN. Certainly in this respect there has been no use to endeavor to place the fault on the employment service or business; there is better cooperation.

You have referred to unemployment——

Senator DAVIS. Have you begun the payment of unemployment benefits in New York yet?

Mr. LAGUARDIA. I think that that commences next month. On that, of course, that doesn't relieve us very much, you know. We supplement in New York.

The CHAIRMAN. I wanted to ask you first if you didn't start January 1. Didn't it commence in your State as of January 1?

Mr. LAGUARDIA. I don't know, Senator. We have not felt it yet.

The CHAIRMAN. You are not able, then, to give the figures indicating the number of claims for unemployment insurance?

Mr. LAGUARDIA. I am prepared to give you just the preparation that we have made and the resources that we have set aside.

The CHAIRMAN. Suppose that you go ahead and state that.

Mr. LAGUARDIA. In the case of a single person, getting $7 a week unemployment insurance, we will not have to supplement any at all.

If there are two in the family, and he gets $7 a week, we are prepared to pay that family $2.50 a week; and, if he gets $8, $1.50.

The CHAIRMAN. Will you pay that for the period for which his unemployment insurance is paid?

Mr. LAGUARDIA. Oh, yes; and then take him back to his full allowance, if he is not reemployed in the meantime.

Now, I will put this complete table in for you.

The CHAIRMAN. I wish that you would.

CITY OF NEW YORK, DEPARTMENT OF WELFARE, DIVISION OF STATISTICAL AND BUDGET CONTROL

Table showing weekly home relief budget deficit after deducting unemployment-insurance benefits for families living in houses without central heat and without private toilet

Type of family	Total weekly budget	Total weekly unemployment insurance benefit in family												
		$7	$8	$9	$10	$11	$12	$13	$14	$15	$16	$17	$18	$19
1-person family	$6.80													
2-person family:														
No children under 12	9.50	$2.50	$1.50											
1 child under 12	8.80	1.80												
3-person family:														
No children under 12	11.85	4.85	3.85	$2.85	$1.85									
1 child under 12	11.25	4.25	3.25	2.25	1.25									
2 children under 12	10.60	3.60	2.60	1.60										
4-person family:														
No children under 12	12.95	5.95	4.95	3.95	2.95	$1.95								
1 child under 12	12.50	5.50	4.50	3.50	2.50	1.50								
2 children under 12	11.95	4.95	3.95	2.95	1.95									
3 children under 12	11.40	4.40	3.40	2.40	1.40									
5-person family:														
No children under 12	15.30	8.30	7.30	6.30	5.30	4.30	$3.30	$2.30	$1.30					
1 child under 12	14.85	7.85	6.85	5.85	4.85	3.85	2.85	1.85						
2 children under 12	14.40	7.40	6.40	5.40	4.40	3.40	2.40	1.40						
3 children under 12	13.80	6.80	5.80	4.80	3.80	2.80	1.80							
4 children under 12	13.20	6.20	5.20	4.20	3.20	2.20	1.20							
6-person family:														
No children under 12	17.20	10.20	9.20	8.20	7.20	6.20	5.20	4.20	3.20	$2.20	$1.20			
1 child under 12	16.75	9.75	8.75	7.75	6.75	5.75	4.75	3.75	2.75	1.75				
2 children under 12	16.25	9.25	8.25	7.25	6.25	5.25	4.25	3.25	2.25	1.25				
3 children under 12	15.75	8.75	7.75	6.75	5.75	4.75	3.75	2.75	1.75					
4 children under 12	15.20	8.20	7.20	6.20	5.20	4.20	3.20	2.20	1.20					
5 children under 12	14.50	7.50	6.50	5.50	4.50	3.50	2.50	1.50						
7-person family:														
No children under 12	19.45	12.45	11.45	10.45	9.45	8.45	7.45	6.45	5.45	4.45	3.45	$2.45	$1.45	
1 child under 12	19.00	12.00	11.00	10.00	9.00	8.00	7.00	6.00	5.00	4.00	3.00	2.00		
2 children under 12	18.50	11.50	10.40	9.50	8.50	7.50	6.50	5.50	4.50	3.50	2.50	1.50		
3 children under 12	18.00	11.00	10.00	9.00	8.00	7.00	6.00	5.00	4.00	3.00	2.00			
4 children under 12	17.40	10.40	9.40	8.40	7.40	6.40	5.40	4.40	3.40	2.40	1.40			
5 children under 12	16.90	9.90	8.90	7.90	6.90	5.90	4.90	3.90	2.90	1.90				
6 children under 12	16.30	9.30	8.30	7.30	6.30	5.30	4.30	3.30	2.30	1.30				

NOTE.—Maximum unemployment-insurance benefits in New York State will be $15 a week. The schedule goes up to $19 a week on the assumption that some families may have more than 1 insurance beneficiary.

Mr. LaGUARDIA. Let us take a family of seven—husband, wife, and five children—if he only gets $12 a week, he would have a deficit there of $7.45 a week.

That is based, gentlemen, on the minimum budget that that family can exist, under the conditions in which they have to live in New York City.

You must bear in mind, always, that in New York City one big item in this allowance is rent. The minute that the family becomes destitute there is no place that that family can go, and they are dispossessed, and we must provide rent. That is why the weekly allowance may seem higher in New York City than in other industrial centers, but I want to impress upon you that that difference is mostly rent.

We have nothing else that we can do. The apartments are so arranged that you can't put two and three families in an apartment. They are crowded as they are now, and that brings the cost up. We are prepared now in New York city to supplement the unemployment insurance in accordance with this weekly budget, which we have established, as minimum requirements to protect the family and to protect the community, because we have a health program and a safety program there as you can readily understand. We are ready to meet that.

The CHAIRMAN. Mr. LaGuardia, referring one minute to your city bureau, does that bureau attempt to place people in industry?

Mr. LaGUARLIA. No; we use the employment bureau for that.

The CHAIRMAN. You do not with your local bureau?

Mr. LaGUARDIA. We have a division where we classify, and where we train in some instances, and when calls are made we place, but, of course, we always do it through the employment bureau, and give them credit for that.

The CHAIRMAN. The funds secured from the city, by the taxation alone—or does the State contribute?

Mr. LaGUARDIA. The State contributes 40 percent and we provide 60 percent.

The CHAIRMAN. What was the total amount spent by the State and city organization?

Mr. LaGUARDIA. It averages now a little over $11,000,000 a month.

Senator LODGE. With the city alone?

Mr. LaGUARDIA. A little over 60 percent of that of the city, because some of the items are nonreimbursable; that is, rents for relief stations and maintenance of these offices, and we are not reimbursed on that. There has been in the neighborhood of between six and seven million dollars a month spent by the city.

The CHAIRMAN. Now, I don't know whether you have the figures, you are not requested to supply them, but I would like to ask when did you first commence this work of this State and city bureau?

Mr. LaGUARDIA. I took it up in 1934, when I became mayor.

The CHAIRMAN. Have you any figures at all as to the relief needs in 1912?

Mr. LaGUARDIA. 1912?

The CHAIRMAN. I mean in 1929.

Mr. LaGUARDIA. No.

The CHAIRMAN. Because this bureau was not established until you became mayor, you have no way of furnishing any figures showing the requests for assistance in 1929?

Mr. LAGUARDIA. No; in 1929, '30 and '31, there was a drive for contributions, and a large amount was obtained at that time, and it was private relief for 2 years, I believe.

Then the city took it up.

This is all before any Federal aid, and I don't believe that we got any allowance from the State until 1932. I know that when I came in there was State contribution.

The CHAIRMAN. Have you any idea of how much was spent, say, in the year 1933, before you became mayor?

Mr. LAGUARDIA. I have that figure, I am sure.

The CHAIRMAN. What is your first number?

Mr. LAGUARDIA. 1934.

The CHAIRMAN. What did you spend that year?

Mr. LAGUARDIA. I will give it to you in a minute. You see, everything started in 1934, as far as I am concerned.

In 1934 the total expenditure was $213,419,778. The city's share was $49,905,410.

The CHAIRMAN. Now, that covers all forms of relief and assistance, is that right?

Mr. LAGUARDIA. No; it doesn't cover dependent children, and what is generally known as widows' pensions. It doesn't cover old-age pensions.

The CHAIRMAN. What did it cover, then?

Mr. LAGUARDIA. It covered direct relief.

The CHAIRMAN. Direct relief?

Mr. LAGUARDIA. Yes.

The CHAIRMAN. Now, have you got 1935 figures?

Mr. LAGUARDIA. And work relief. The State and Federal share was $163,514,368 in 1934.

In 1935, you have very much the same condition, and it went up to $267,040,497.

Now, 1936 is where you started your work relief. The total expended in New York, in 1936, was $339,656,098. The city's share was $61,182,468.

The State's share was $47,617,624, and the Federal Government's share was $230,856,000.

Senator CLARK. That included both relief and W. P. A?

Mr. LAGUARDIA. Yes, sir.

The CHAIRMAN. Now, give us the next year?

Mr. LAGUARDIA. Well, in 1937, the total expenditure was $259,073,480 and the city's share was $71,727,465. (These figures include only 11 months for W. P. A. December figures not available.)

The State's share was $42,401,782, and the Federal Government's share was $144,944,213. (Both the Federal Government's share and the total for 1937 should be increased by W. P. A. December expenditures when available.)

CITY OF NEW YORK, DEPARTMENT OF WELFARE, DIVISION OF STATISTICAL AND BUDGET CONTROL

City, State, and Federal Government's share of direct and work relief expenditures in New York City from Jan. 1, 1934, to Dec. 31, 1937

Year and month	Total expenditures	City's share	Percentage	State and Federal Government's share	Percentage	State's share	Percentage	Federal Government's share [1]	Percentage
1934	$213,419,778	$49,905,410	23.38	$127,234,070	59.62			$36,280,298	17.00
1935	267,040,497	51,477,865	19.28	130,604,925	48.91			84,957,707	31.81
1936	339,656,098	61,182,468	18.01			$47,617,724	14.02	230,856,006	67.97
January	20,496,477	5,263,348	25.68			3,657,543	17.84	11,575,586	56.48
February	21,673,650	5,052,373	23.31			3,604,936	16.63	13,016,341	60.06
March	27,221,092	6,159,325	22.63			3,461,222	12.71	17,600,545	64.66
April	25,267,719	6,196,124	24.52			3,509,671	13.89	15,561,924	61.59
May	22,990,969	5,712,143	24.84			3,289,281	14.31	13,989,545	60.85
June	23,846,572	5,555,008	23.29			3,185,607	13.36	15,105,957	63.35
July	22,329,145	5,826,728	26.10			3,258,147	14.59	13,244,270	59.31
August	20,491,538	6,072,838	29.64			3,505,993	17.11	10,912,707	53.25
September	20,854,428	6,188,378	29.67			3,586,771	17.20	11,079,279	53.13
October	20,352,114	6,289,752	30.90			3,613,816	17.76	10,448,546	51.34
November	22,792,485	6,576,869	28.85			3,806,103	16.70	12,409,513	54.45
December	10,757,291	6,834,599				3,922,692			
Total	259,073,480	71,727,485	26.13			42,401,782	15.50	144,944,213	58.37
Grand total	1,079,189,853	234,293,228	21.29	257,838,995	24.13	90,019,406	8.06	497,038,224	46.52

[1] These expenditures are exclusive of Federal W. P. A. projects in New York City.

NOTE.—During the period in 1934 and 1935 when the F. E. R. A. was operating, the State and Federal Governments' costs could not be separated because the F. E. R. A. paid the money over to the State and the State reimbursed without separating as to the amount of the reimbursement furnished by the Federal Government.

The CHAIRMAN. What was the peak figure, now, from the time that you started in 1934? Is it 1937 or 1936?

Mr. LAGUARDIA. 1936.

The CHAIRMAN. From 1934, and 1935, and 1936, there was an improvement in business, in New York City, I have no doubt, just the same as the rest of the country.

Mr. LAGUARDIA. Yes, sir.

The CHAIRMAN. What in your opinion is the explanation of the growth in demands for assistance?

Mr. LAGUARDIA. That can be answered very definitely: This is what happened:

First, the Government stepped in and provided a share of relief, very generously, and that was just that much more purchasing power—relief, to take the place of soup kitchens and bread lines.

Then along came the Government with its building program, and I want to point out here, gentlemen, that in addition to the figures that I gave you, New York City cooperated with the Federal Government in going into a very vast building program.

There has been a great deal of misstatement and misinformation given as to what New York City did, during this time, and these figures have been terribly distorted. When the Federal Government embarked on its building program, it was the understanding then, gentlemen, that States would get credit for loans made under P. W. A., in their application to the W. P. A. cost. You can readily see the reason for that.

The CHAIRMAN. That you mean the P. W. A., any construction in New York City under P. W. A. was like the rest of the country, 55–45?

Mr. LAGUARDIA. Yes, sir.

The CHAIRMAN. You put up the 45?

Mr. LAGUARDIA. Yes, sir.

The CHAIRMAN. All P. W. A. contracts were made on that basis.

Mr. LAGUARDIA. Yes; absolutely; but it was taken into consideration, the amount which a State or city committed itself to this work, in its ability to contribute to W. P. A.——

The CHAIRMAN. I must say, Mr. LaGuardia, that was not given to the other States.

Mr. LAGUARDIA. It certainly was.

The CHAIRMAN. It wasn't given to my State.

Mr. LAGUARDIA. Now, if you figure, during that time, we took over $112,486,209 of P. W. A. in addition to the Triborough Bridge which was over $40,000,000 to which we contributed $18,000,000—that is, $58,000,000 more, so that we took about $170,000,000 of P. W. A.

Now, this is in 4 years; and in addition to that, gentlemen, in order to cooperate, create this spurt of business, in addition to the $170,000,000 we spent $221,000,000 in public works, in addition to that $86,000,000, in assessable work, and $18,000,000 in street repairs.

Senator CLARK. All of those expenditures, the last three that you have enumerated, were without Federal assistance?

Mr. LAGUARDIA. No assistance at all.

Senator CLARK. When you say "public works in New York", you mean public works which the city paid without Federal assistance?

Mr. LAGUARDIA. Yes; but the $112,486,000, of course, was with Federal grant.

The CHAIRMAN. The P. W. A. contracts?

Mr. LAGUARDIA. That is right; so when the Federal Government embarked on this vast public-works program, a little over $3,000,000,000 was appropriated for that purpose. Naturally every State, and city, took advantage of it, and we started out.

That, gentlemen, had a great deal to do with the improved conditions that were reflected in business and industry. You just can't put in 3 billion dollars in addition to what was put in locally, and I want to assume that the other States cooperated just as well as New York City—only I say that to be polite; I do know that they didn't. That is what created the improvement, gentlemen, but business and industry missed the ball. The pass was incompleted.

Now, when the Government goes into a vast public-works program, its purpose is to give business a start, thereby creating purchasing power, and business and industry should cooperate with the Government to the extent of taking this as an emergency measure and not as something permanent. By that, I mean business and industry, of course, couldn't do anything at a loss; but while the Government is injecting huge amounts to prime business and industry, they in turn should have cooperated and kept down the prices during that period, covering their overhead, and covering depreciation, and covering amortization, and covering all overhead charges. Then, we would not have had the sudden drop when this money gave out, or when the program was completed.

Now, it would seem that if business and industry have learned that a vast public-works program carried out along the basis so as to give a sustained and continued purchasing power for the masses of the American people we might pull through.

Now, this is interesting, too: That some of the people who criticized Government spending were very silent while the Government buying was going on. You can't have Government buying unless you have Government spending.

This theory of balancing the Budget is likewise greatly confused. Balancing the Budget doesn't bring about recovery, but recovery balances the Budget. In other words, once you have recovery there will be no need for abnormal Government expenditures; but until you do have a normal economic condition you are compelled to have large Government expenditures, and the people who cry the most against Government expenditures are the first ones who would feel it if these expenditures were to suddenly stop.

A great mistake that is being made here in Washington at this time, and, of course, all I know is what I get in the papers now, is that you call people to Washington, so-called large-business men and large industrialists, and you ask them what their expectation is to increase business. They are the sellers; they don't know. You ought to ask the purchasers, the buyers—and the buyers are the American people and the American farmer and the American wage earner—and when they have the money to buy, then industry and business will be able to make and sell.

The CHAIRMAN. That is why we thought that we would ask you. We have asked these other gentlemen, and then in due time we will ask the representatives of the farmers; but I know of nobody who would make a better representative of the city or of the country than you, and that is why we would like you now to tell us, because, of course, from your study of it I am sure that it is of interest.

Now, let me ask you in that connection, during the improvement in business in New York City from 1934, let us say, and 1935 and 1936, did industry employ a greater number of men?

Mr. LAGUARDIA. Oh, yes.

The CHAIRMAN. But notwithstanding that there wasn't any material effect upon the relief load, was there?

Mr. LAGUARDIA. Well——

The CHAIRMAN. Even during the good years?

Mr. LAGUARDIA. It had this effect, Senator: That if it hadn't been for that the conditions would have become increasingly worse.

The CHAIRMAN. Well, those were, we will say—I am not arguing—but they were comparatively good years, 1935, 1936, and 1937?

Mr. LAGUARDIA. Comparatively good years.

The CHAIRMAN. And what I am really worried about, in taking your own city as the greatest city in the country, if in those comparatively good years the relief demands have increased, if we have bad years it will present to your city and to the Federal Government a very serious problem.

Mr. LAGUARDIA. Very serious.

The CHAIRMAN. And that is something that we ought to give consideration to. Now, in that respect, what is your suggestion, if the Federal Government is to continue its aid, as to the manner in which

that aid shall be expended, specifically? Do you favor work relief; and if it is to be continued, then what is your opinion as to it being placed upon a uniform basis, as between the States? If sponsors' contributions ought to be increased, what should be done with reference to it? And just in a general way your views, that we may have the benefit of them.

Mr. LaGuardia. I feel this: First, that work relief has been established as the American way of providing relief to unemployed; I think that that is established, and I don't believe that we will ever get away from it.

The Chairman. I forgot, and what is your opinion as to whether that work relief should be entirely under Federal jurisdiction or whether the local government shall be permitted to conduct it, and allotment being made with the requirement that so much be spent for work relief?

Mr. LaGuardia. Work relief having been established, I believe that it is the responsibility of the Federal Government to take care of all employables, and I say this, gentlemen, because the problem is national.

It reflects conditions down in North Carolina that affect New York, and conditions in New York will reflect down in the southern section, the West, or the East. If our people are not working, we can't buy the products that the agricultural States produce, and we can't pay the prices. It is a vicious circle, and you are all familiar with that. Many States are unable to meet their share, and many cities are unable to meet it. States and cities are now borrowing, and they can't continue that indefinitely, because the credit of a State and a city, of course, is limited. That being so, we might as well face the responsibility and let the Federal Government take over work relief for all employables. It will all come out in the long run, probably. I don't know if all of my colleagues are in agreement with me. I am perfectly satisfied to have the work relief under the control of the Federal Government.

It so happens that I feel closer to the Federal Government than I do to the State government. It all depends upon local administration. In New York we have had very good local administration from the very beginning.

In addition to that, I would suggest, and I don't want to shock you gentlemen, another public-works program. That will move heavy industry and transportation. A great part of the money included in these hundreds of millions of dollars spent in New York City were expended on supplies and materials coming from outside of the city.

In the meantime, industry and commerce should adjust itself to cooperating with the Government, so as to have purchasing power continue after the public funds of public works are exhausted.

But even those are palliatives, gentlemen; they will do for a time. It is, as I think you stated, Senator, even when we thought conditions were good, were better or improved, we still had quite an unemployment problem on our hands. That is due, of course, to the high efficiency of American industry, to a mechanized industry, whether on the farm or in the factory, or in the office. Machinery is displacing labor all of the time.

Now, we can discount our foreign trade. If we get it, fine. If we don't get it, the percentage of foreign trade really isn't what is decid-

ing this thing at all. We know our population and we know what we need. The spread of employment must be created, and we will never get anywhere, gentlemen, until we have a uniformity of laws throughout the United States, in every State of the Union. By uniformity of laws, I mean laws fixing the working week, and the working day. They may be flexible to meet conditions as they occur.

If we talk about surpluses, we don't know whether we have surpluses or not, until we know just how much our people can consume. There is confusion between what the people need and what the people are able to buy. Give every child in this country that needs it, the milk and extra bread and butter and extra food that it needs, mark you, and it would put quite a dent in our so-called agricultural surplus.

That we must meet, and it may seem costly, in the beginning, and it is novel, and it may be irritating in some quarters, but it is scientific, it is less wasteful, and not as costly as the combined cost of work relief and State and local relief.

We have embarked now, on our unemployment insurance. We will not feel the full effect of that until about 10 years. It will take 10 years to get going. It took longer than that, in England. That will take care of seasonal unemployment. The cost, of course, of that may have to be put on a broader base. We have embarked on a system of old-age pensions, and that must be made uniform. Unless it is uniform, gentlemen, people approaching the age will move into pensioning States out of nonpensioning States.

Senator DAVIS. What effect has the removal of other residents from up-State, and adjoining States, what effect has it had on New York?

Mr. LAGUARDIA. I will come to that in a minute, Senator. We are feeling that very much, and if you will just remind me of that, I will come back to that.

We must have uniformity in old-age pensions, and to go back to the labor conditions, that brings up the question of child labor, and there must be uniformity in that. If every school child in the country, of school age, were kept in school up to that age, so that you can take care of child labor on one end, and superannuated workers on the other end, a uniform treatment relatively, of course, based upon cost of living, in the various sections of the country, and unemployed insurance in the middle, I think that in 10 years from now we might be able to get away from this very costly, unscientific, and unsatisfactory method of local home relief that we have now.

Then it will boil itself down to the unemployables, and those we will have with us all of the time. We cannot have 130,000,000 people and have all of them perfect. We will have that percentage all of the time. It is a long, tedious, difficult, and costly program.

The CHAIRMAN. Mr. LaGuardia, what is the law in New York City as to child labor?

Mr. LAGUARDIA. Sixteen.

The CHAIRMAN. Do you know of any State now in which it is not 16; I am asking because I really do not know. It is 16 in my State.

Mr. LAGUARDIA. I am not worried about the law on that. I am worried about the chiseling.

The CHAIRMAN. Is there chiseling in your own State?

Mr. LA GUARDIA. Not in New York City there isn't. I think up-State, in the canneries, there is.

The CHAIRMAN. The law is not enforced?

Mr. LAGUARDIA. I don't know. I can only take care of my small town.

The CHAIRMAN. If it be wrong, of course, you will agree that then it is a matter of enforcement of the law in the upper part of the State?

Mr. LAGUARDIA. I would like to see it uniform throughout the country.

The CHAIRMAN. If it is uniform, and I think that it is, what you say is that it isn't the law, but it isn't enforced uniformly, and that is a question of the human element. The law is all right up in New York State; it is uniform?

Mr. LA GUARDIA. I would prefer a law based upon Federal constitutional provisions. You see, I am a Federalist with a New Deal economy.

The CHAIRMAN. You think that the Federal Government would enforce the law in upper New York State?

Mr. LAGUARDIA. Yes.

The CHAIRMAN. Better than New York State officials would?

Mr. LAGUARDIA. Sure.

The CHAIRMAN. And they enforced prohibition better, too?

Mr. LAGUARDIA. Just about the same. It was terrible.

The CHAIRMAN. Well, I didn't think that it offered much encouragement.

Mr. LAGUARDIA. There is a difference.

Senator, you were asking about the migration. We have a great deal of that, particularly in homeless men, and also families, coming up by the bus loads.

You can readily understand that if a family is destitute, they apply for relief. It is very easy to say, "well, you are not in the city 1 year, and we can't give it to you," but if there are little children there, you take almost any proof that is given.

We find this, that it isn't difficult to get neighbors to come in and say, "Oh, yes; I remember these folks, I have known them for years," and that is about all that is needed.

And it is the same with the homeless men. If we don't provide shelter for them, why they are just on the streets, and in the parks, and it creates a health condition. I believe that we ought to have a Federal Bureau of Transients in these large centers to take care of these people, and repatriate the families, send them back to their home States, and the men, likewise. Naturally, we would take back New York City folks, who are public charges, in other places. It is getting to be very difficult, in New York, on account of that.

The CHAIRMAN. How would you send them back, how can you require them to go back?

Mr. LAGUARDIA. If they are public charges, you just provide transportation for them and send them back to their own communities, and take care of them there.

The CHAIRMAN. Many of them come in automobiles, don't they?

Mr. LAGUARDIA. Busses; the busses just plant them right there, it is very difficult.

The CHAIRMAN. I realize that.

Mr. LAGUARDIA. When you have children——

The CHAIRMAN. It exists in other places, I realize that.

Mr. LAGUARDIA. To give you an idea of the homeless men there——

Senator LODGE. Mayor LaGuardia, how many are on W. P. A. in New York City now, do you know roughly?

Mr. LAGUARDIA. Yes, sir; a little over 190,000 cases.

Senator LODGE. 190,000 cases?

Mr. LAGUARDIA. Yes, sir; I am going to give you that exactly.

Senator LODGE. In order to get the number of men and women——

Mr. LAGUARDIA. I am going to give you that. It is startling, gentlemen. It is 196,550 cases. To be exact, 177,550 cases are full-home relief cases, and 13,000 are in homeless shelters, mostly single men. Six thousand one hundred and thirteen are getting supplementary relief, that is where the W. P. A. income is below the minimum requirements, and we supplement the income.

Now, there are 139,000 cases on work relief, that is the United States Government. Now, do you want me to give you that in the number of persons?

Senator LODGE. I want it in the W. P. A. number of persons, particularly.

Mr. LAGUARDIA. The W. P. A., 139,000, that is about 133,000 W. P. A., and 6,000 W. P. A. field projects, in New York City.

Senator LODGE. Now, what I want is the number of employables who are not on W. P. A.

Mr. LAGUARDIA. 103,000.

Senator LODGE. Who are not——

Mr. LAGUARDIA. Yes, and to give you all their classifications, I can give you that, if you want them.

Senator LODGE. Are you satisfied with the system that is now used, which puts these, some of the employables on W. P. A. and leaves some of the employables off W. P. A.?

Mr. LAGUARDIA. Of course not; I say that the Federal Government ought to take all of the employables. I was just talking to Colonel Somervell who is the Federal Administrator. Colonel Somervell feels that of the 103,000 which I claim should be taken off, that a percentage of those wouldn't be taken over because there are more than one in the family and they would only take one in the family; he also excludes the handicapped.

If there were, say, 20 percent which would be rejected by W. P. A., we certainly could find that 20 percent among the others that we have on home relief now.

But you can figure that out of the 196,000, we could furnish, well, I would say between 125,000 and 140,000 employables.

The CHAIRMAN. What is your definition of employables, and how do you exactly distinguish between employables and unemployables, it is arbitrary, I guess.

Mr. LAGUARDIA. One who is physically or mentally able to work.

The CHAIRMAN. And a personal examination, or personal interview is had to determine that?

Mr. LAGUARDIA. Oh, yes; skilled and unskilled, and professional—for instance, we have, in the 103,000 I am talking about 13,453 building and construction workers. Now, the 13,453 have worked——

The CHAIRMAN. You find out whether they have worked?

Mr. LaGuardia. Yes, sir.

The Chairman. And how recently they have worked?

Mr. LaGuardia. Yes, sir; now will you remind me of that in a minute.

Now, here is the hardest one, clerical and commercial, 16,742.

Now, you take a youngster that has had a job in the office, perhaps 1 or 2 years in high school, and perhaps high school or even college. They are clerical workers, and there is where we have to create jobs for them on surveys, and research, and some of the projects that have been criticized, gentlemen, as you know.

But from general industries, there are 17,170, that is the people who work in the factories, most of them light manufacturing.

Metal trades, 1,548; and needle trades, 9,218. That is because a great many of the needle trade unions in New York provide for their own.

Professional and technical, 4,593, that is a very difficult group to place.

Service, that is general household service, and unskilled work of that kind, 23,132.

Hotel service, 1,070.

Restaurants, 5,278.

Transportation and communication, 9,511.

Miscellaneous occupations, 1,237.

Senator Lodge. Mayor LaGuardia, if we add the 139,000 on W. P. A., and the 103,000 employables who are not on W. P. A. together, we get 242,000 people who are employable and who are not employed in private industry.

Mr. LaGuardia. That is right.

Senator Lodge. Now, do you think that in picking out these 139,000, out of that total, that the neediest cases were picked in every instance?

Mr. LaGuardia. Whether the neediest or not, the fact is that they were on home relief, with the exception of the allowance, I think it is a 5-percent allowance where you need engineering or some specialized work like that.

I will vouch for the number in New York City, being properly on W. P. A. We watch that very carefully, and oh, maybe small percentages will chisel in. Of course, if we have only that, we have a very wholesome condition.

Senator Clark. Is it true, now, that there is this other large number, outside of those who are on W. P. A., who are almost equally eligible to W. P. A. or equally eligible.

Mr. LaGuardia. Yes, sir.

Senator Clark. I ask that because the first day of the hearings here, when the Assistant Director of the W. P. A. was up here testifying, I asked him if it were not a fact that if this condition of increasing unemployment came on, that we either had to appropriate vastly more money, for W. P. A., or change the method of relief by going back to direct relief or some other method and take in everybody or leave out a large number of cases equally as deserving as those on the W. P. A.; and he answered that the present time W. P. A. was taking care of all or practically all of the eligible employables in the country.

Now, as I understand it, you don't agree with that?

Mr. LaGuardia. I agree 100 percent with it, and that is just my kick. He is absolutely correct, and that is where we get the wrong end of it. W. P. A. is taking care of practically all of the employables with the exception of a few industrial centers. That is just where it is so unfair.

Senator Clark. We were taking the Nation as a whole. You don't agree that the W. P. A. is at the present time taking care of all of the eligible employables?

Mr. LaGuardia. I say that they are taking care of substantially all of the unemployed, with the exception of a few industrial centers, and New York City is the outstanding example.

Senator Clark. If there are 103,000 cases in New York, who ought to be eligible, then his statement is not correct, is it?

Mr. LaGuardia. Well, but if you talked nationally and take the percentage of 103,000 to the total number now on direct W. P. A., you will see that it is not a startling or a shocking percentage.

Senator Clark. But if you take the percentage of 103,000 to 139,000, if that is the figure that you gave, it is quite startling.

Mr. LaGuardia. You bet. I am awfully glad that you brought that out, that is just my point, but being a very timid person, I couldn't do it as well. That is just my kick, gentlemen, that in some sections, W. P. A. is taking care of the entire employable load, that in New York City it doesn't do it, and therefore, we have to do it, and that just costs money.

Senator Clark. What are your figures, now, on the rest of the country? You say that in the rest of the country they are taking care of all of the employables, but in New York City they are not.

Mr. LaGuardia. Well, Senator, you know we have such a thing as mayoralty courtesy, and a mayor should never talk about any other city, and when I was in the House I tried to talk for the whole country, but they didn't want to keep me there.

But seriously, though, in many sections, you will find that W. P. A. is taking substantially the entire load.

Senator Clark. Let us confine ourselves again to New York City. As far as they are concerned, the statement of the Assistant Administrator is not correct?

Mr. LaGuardia. I don't think that he said that he was taking care of the entire load in New York City.

Senator Clark. He answered as to my question, as to what we had to do, that the present W. P. A. allotment and allocations were taking care of practically all of the employables in the country, and I believe the record will show that statement.

Mr. LaGuardia. I think that that is a correct statement. If you take the whole country, and that as one picture, W. P. A. is practically doing that. My colleague from Cleveland will testify here in a few minutes and he will have a few thousand to offer you on W. P. A., but those are the industrial centers, and New York is hit the hardest on this. That is why I am very anxious to see any uniform system, and I don't care what it is. We will comply with it, gentlemen, but make it uniform.

The Chairman. Now, let me ask you this: I have said heretofore, we know what you have been spending for direct relief, and a very large amount, but what percentage of the cost of the W. P. A. project is paid by New York City.

Mr. LaGUARDIA. I still say almost 42 percent for both the city and State.

The CHAIRMAN. Well, the figures that the W. P. A. gave is 7½ percent for the State, and one-half of 1 percent for New York City, and now what have you to say, not about what else is done, but how much is New York paying on W. P. A. projects?

Mr. LaGUARDIA. Almost 42 percent.

The CHAIRMAN. Then there is only a difference of 40½ percent between Mr. Hopkins and you?

Mr. LaGUARDIA. Yes, sir.

The CHAIRMAN. And I ask that for this reason——

Mr. LaGUARDIA. There is no difference between Harry Hopkins and me.

The CHAIRMAN. Well——

Mr. LaGUARDIA. He knows it, too.

The CHAIRMAN. Well, of course——

Mr. LaGUARDIA. Can I give you some figures?

The CHAIRMAN. Yes, of course.

Mr. LaGUARDIA. How much do you suppose my load is going to be from January 1, 1938, to January 1, 1939?

The CHAIRMAN. W. P. A. load?

Mr. LaGUARDIA. Yes.

The CHAIRMAN. I couldn't guess; I have got these figures here.

Mr. LaGUARDIA. Only $39,441,300.01. That is more than whole sections of the country.

The CHAIRMAN. Of course, in figures it is tremendous, and for instance, the amount——

Mr. LaGUARDIA. There isn't 1 cent of direct relief in that amount, sir.

The CHAIRMAN. Well, the figures for your information, here, is what the Congress has furnished.

For New York, number of projects, 6,731, and the total amount, $620,700,000.

Federal funds, $575,873,676.

He gives for the State, 7.2, the lowest point in the United States, and for the city of New York, the sponsors' contribution amounted to one-half of 1 percent.

Mr. LaGUARDIA. All right; does he give me the same credits that he gives the other States, as to the amount of P. W. A.?

The CHAIRMAN. In these figures neither the P. W. A. nor the Social Security nor anything else is mentioned. It is simply the contribution, and the thought that occurs to me to suggest to you is that if you have 100,000 employables on direct relief, and if you are bearing the entire expense on 100,000 for a sponsor contribution, in proportion to all other W. P. A. projects, it would enable you to take care of a great many more people, would it not?

Mr. LaGUARDIA. I will take you up on that in a minute, sir. Certainly, you take up my complete load, and I will pay as much as any other State in the Union.

The CHAIRMAN. As it is now, you are paying one-half of 1 percent on W. P. A.?

Mr. LaGUARDIA. I am not.

The CHAIRMAN. I wish you and the W. P A. would get together. These are the figures on the exact projects.

Mr. LaGUARDIA. I have heard that story before, Senator.

The CHAIRMAN. First, I will give you the figures—what he says are the figures.

Mr. LaGUARDIA. Yes.

The CHAIRMAN. This is bare estimated cost of the Works Progress Administration projects, placed in operation by the States, and these are the sources of funds through December 31, 1936. It does not include 1937.

Mr. LaGUARDIA. 1936. There are the figures. I claim that the work relief in 1936 was $230,856,006. Does that check with your figure?

The CHAIRMAN. No. The total amount credited to the entire State of New York is $44,000,000.

Mr. LaGUARDIA. Can you give me the New York City figure for the total amount expended on W. P. A.?

The CHAIRMAN. Yes. It is in another table. May I ask if there is a difference—are you counting the work relief you do entirely in the city of New York, and not in cooperation with the W. P. A.?

Mr. LaGUARDIA. Certainly.

The CHAIRMAN. Of course, that is different.

Mr. LaGUARDIA. No, it is not. I have heard your colleagues state that the W. P. A. is taking care of the unemployment load in other sections.

The CHAIRMAN. No——

Senator CLARK. He not only applied that to others, but stated that for the Nation as a whole.

Mr. LaGUARDIA. Yes, surely. I know that New York City is left out all by itself.

Senator CLARK. There are lots of other sections that are left out, too. There is a great controversy about that.

Mr. LaGUARDIA. Harry Hopkins never said that.

Senator CLARK. That was the Assistant Director, and there was some question as to whether the figures were correct, but he certainly never said that the W. P. A. was taking care of the rest of the Nation and not taking care of New York.

Mr. LaGUARDIA. He never said that he was taking care of the entire load in New York.

Senator CLARK. Nobody asked him about any specific allocation.

The CHAIRMAN. May I say this, in justice to Mr. Gill; Mr. Gill stated that recently they had made an allotment to the States, an increase, allotting it according to the representations as to the relief needs to the various regions, and that the number of jobs allotted had not been filled because the local agencies charged with the duty of certifying the eligibles to these work relief projects had not certified the number of men that could be given employment, and that today some 30 days to 45 days after that allotment, there were still about 100,000 men who could be put to work, but who had not been given jobs, and I think that was on what he based his statement. As Senator Clark said, he did not mention any city, but he was talking about the Nation.

Senator CLARK. Exactly.

Mr. LaGUARDIA. I think, taking the Nation, it is a proper statement. There is no issue between W. P. A. and myself as to the actual situation. I will give them 5 or 10 or 20 or 50 or 75 thousand men or women on W. P. A. any time he will tell me.

The CHAIRMAN. So far as you are concerned, you have 100,000 men, according to your local investigation, who are employable, properly eligible for W. P. A., that have not been given jobs?

Mr. LAGUARDIA. Yes.

The CHAIRMAN. I understood from your figures that it figures a practically 25-percent increase since last September. Is that right?

Mr. LAGUARDIA. Are those the figures that I gave?

The CHAIRMAN. As I caught it it was between 20 and 25 percent increase.

Mr. LAGUARDIA. I gave you the applications before, didn't I?

The CHAIRMAN. I would not be sure. Suppose you supply it.

Mr. LAGUARDIA. Yes. Here is what we have tentatively agreed to do for 1938, contribute $39,441,301 toward W. P. A. provided that I get the same formula as to the percentage number of employables taken on in other States. In other words, New York City, with 7,000,000, our population is over 7,000,000—that is greater than any one State, including our own, if you separate New York City, or I will put it this way: I am willing to increase the ante of the percentage paid by any State provided I get the same treatment.

The CHAIRMAN. The average of the country is 23 percent as of December?

Mr. LAGUARDIA. It is all right with me. I am not quarreling about that. I will find the money, and I want to be treated the same as the other cities.

The CHAIRMAN. What you mean is that you want them to take care of all of your employables, or you would not increase the ante.

Mr. LAGUARDIA. If they take care of 90 percent of the employables of North Carolina I expect them to take care of 90 percent of the employables of New York City, and I will pay the same percentage that North Carolina pays on W. P. A.

The CHAIRMAN. Of course, what percentage of employables in any State or city is taken care of we do not know because we have no figures on that. All that we know is that the figures submitted already on every W. P. A. project in the country, that they have been required to pay up to 37 percent of the projects in the State of Idaho, and the average for the country is 23.

Mr. LAGUARDIA. You say in Idaho?

The CHAIRMAN. Thirty-seven percent; the highest in the country.

Mr. LAGUARDIA. The highest in the country is Massachusetts.

The CHAIRMAN. Unfortunately, we cannot get together, because the figures that are furnished by the W. P. A. continuously show that Idaho is furnishing 37 percent, the largest amount; and the Senator from Massachusetts has the figures for that State, which are just about 26 percent.

Senator LODGE. That is not an entirely fair picture, is it, Mr. Chairman?

The CHAIRMAN. You gave them to me. I do not know whether you gave the picture.

Senator LODGE. That was on W. P. A. alone.

The CHAIRMAN. I am only talking about W. P. A. There is no question about direct relief and the tremendous amounts paid in New York State. We are discussing solely W. P. A., and I seriously submit to you the question, because of taking care of 100,000 employables, which must be cared for, when you take care of it on your

direct relief—I question your proposal as to W. P. A.; it certainly should be to furnish the average furnished by the country.

Mr. LaGUARDIA. I made provisions for 1938 to take care of W. P. A.—I will take your formula—separate and distinct from home relief.

The CHAIRMAN. Yes. The rest have to look at it that way.

Mr. LaGUARDIA. I will contribute exactly the same amount, provided the Federal Government gives me the same formula on the number of people it takes on. I have to do that for my own protection.

The CHAIRMAN. What you mean is that the W. P. A. will have to determine the number of employables taken care of in each city and find a percentage thereof?

Mr. LaGUARDIA. Yes.

The CHAIRMAN. And you want the same percentage in others?

Mr. LaGUARDIA. I will pay the same percentage.

The CHAIRMAN. You know it to be a fact, that in no other State do the sponsors have anything to say, nor are they listened to on any such proposal. Mr. Hopkins has not listened to Missouri, Delaware, or Massachusetts, in any request of any other State.

Mr. LaGUARDIA. They did not listen to me, either.

The CHAIRMAN. He listened to you to the extent of giving you 94½ percent. You are the most persuasive talker in the world.

Mr. LaGUARDIA. Not at all.

The CHAIRMAN. I mean on W. P. A.

Mr. LaGUARDIA. You have been looking at charts. We have gone chart-crazy in this country.

The CHAIRMAN. I cannot read a chart.

Mr. LaGUARDIA. Everything is a chart or a diagram. It drives me nutty.

The CHAIRMAN. I would not say that.

Mr. LaGUARDIA. They use the same chart to show the conditions of the Federal Reserve Board as they do to show the amount of lipstick used in the Polish Corridor. Charts mean nothing.

The CHAIRMAN. We agree. I never looked at one. I can read figures. A grant of one-half of 1 percent makes no chart.

Mr. LaGUARDIA. It just eliminates all factors. That is all.

The CHAIRMAN. I agree; and it eliminates your direct relief. It does not take that into consideration.

Mr. LaGUARDIA. It does not take in material, which we contribute.

The CHAIRMAN. Yes; it is supposed to do that, in every State.

Mr. LaGUARDIA. Our accounting is different. I have seen accounting figures, and the figures in the W. P. A. will bear me out on this, where the telephones, lights, and everything but the dressmaker's bill of the Mayor or the Governor was charged up to W. P. A.—all possible overhead expense. We do not do that in New York. Do you know that all of this time you are talking about I have been giving them $750,000 a month? Do you know that we do not charge the engineering supervision; that we do not charge the engineering plans; that we do not charge rent.

The CHAIRMAN. That is general throughout the country.

Mr. LaGUARDIA. Oh, no.

The CHAIRMAN. I happen to know. We have the direct figures. I know of State after State where the W. P. A. will not locate unless they furnish them free rent.

Mr. LAGUARDIA. We have gone all over this. We are ready, aside and apart and distinct from home relief—make it as strong as you like, to make contributions in cash, and in material, to the Works Progress Administration up to $39,441,301, if I get the same formula that the rest of the States get.

The CHAIRMAN. All right.

Mr. LAGUARDIA. That is how many percent? I think that is 29 percent.

Colonel SOMERVELL. Twenty-two percent under the present load.

The CHAIRMAN. All right. If there are no more questions, that is all.

(Witness excused.)

STATEMENT OF HAROLD H. BURTON, MAYOR OF CLEVELAND, OHIO

The CHAIRMAN. You are the mayor of Cleveland, Mr. Burton?

Mr. BURTON. Yes, sir.

The CHAIRMAN. And have been for how long?

Mr. BURTON. A little more than 2 years.

The CHAIRMAN. What is the prospective unemployment and relief situation in your own city for 1938?

Mr. BURTON. I wonder, Mr. Chairman, if I might present my reply in the form in which it has been prepared here, for this reason: I received your questions along that line and they were supplemented by 16 questions by Mr. Johnstone.

The CHAIRMAN. Yes.

Mr. BURTON. At his suggestion I grouped his questions with yours and prepared answers specifically to them. I will be glad to be interrupted at any point, but I think they will cover precisely the same type of thing that you have been discussing with the mayor of New York, in the order in which these questions are presented, and more quickly.

The CHAIRMAN. All right.

Mr. BURTON. I have it in this form, and I have the tables here, so that you can check them as we run along or comment on them as you please.

In reply to the four questions asked of us in writing by Hon. James F. Byrnes, chairman of the United States Senate Special Committee to Investigate Unemployment and Relief, as supplemented by the 16 questions similarly asked by Alan Johnstone, Esq., as counsel for that committee, this statement is respectfully submitted. It reflects conditions in and near Cleveland, and presents opinions based upon experience there. We do not claim infallibility either for the statistics or the opinions, but we believe them to be dependable.

Every answer is given in the light of a clear understanding that it is a primary privilege and obligation of the city of Cleveland to give at all times its full and cordial cooperation to its State and Federal Governments in making effective and successful every policy officially undertaken by either of them and affecting this city and its people.

1. (Question by Senator Byrnes.) What is the prospective unemployment and relief situation in the United States for the first 6 months of 1938?

Supplementing this general question, Mr. Johnstone asks 11 others—his first 5 relate to employment and business conditions; the remaining 6 relate to relief. His first 5 questions are:

1. The committee's objective at this time is to learn as much as possible regarding the extent and severity of the industrial recession; particularly what its impact has been on unemployment and relief in the community.
2. Any concrete data as to the decline of production, sales, and employment in the community's most important industries.
3. How did Christmas retail trade for 1937 compare with that of 1936?
4. Any other indications of changes in production, sales, and employment in your city.
5. What is the consensus of opinion, if any, as to the prospects for upturn in business during the first quarter of 1938?

Our answers are:

1. General statement as to the nature of the Greater Cleveland industrial district and as to the general extent and severity of industrial recession there: The facts presented in this statement are for the Greater Cleveland district unless otherwise stated. That district contains about 1,250,000 people, or about 1 percent of the population of the United States. Of these, about 900,000, or about 75 percent, live in the corporate city of Cleveland. Greater Cleveland is almost entirely within the single county of Cuyahoga. In population, Greater Cleveland ranks as the tenth metropolitan area in the United States. The corporate city of Cleveland ranks as the sixth city. Cleveland is a distinctly industrial city, with a highly cosmopolitan population.

It is also the industrial and commercial center of a crescent-shaped closely knit industrial area about 150 miles long and 75 miles deep on the southern shore of Lake Erie, including such well-known industrial cities as Ashtabula, Painesville, Youngstown, Warren, Alliance, Akron, Canton, Massillon, Mansfield, Elyria, Lorain, and Sandusky. This industrial area contains about 3,000,000 people and includes 224 out of the 348 distinct types of manufacture carried on in the United States. The constant interchange of business throughout this industrial neighborhood is so great that an industrial drought or recession, resulting in unemployment in any part of it, is a blight promptly felt throughout the area.

I do wish to emphasize the industrial nature of the 3,000,000 population involved in that particular area.

The diversity of industry in the area is a partially protective feature; but a general industrial recession is particularly dangerous, because of the unusually large percentage of the total employment that is in the manufacturing and building industries. Any wave of unemployment also promptly results in a rush of unemployed to the central city of Cleveland in the hope that this larger center may offer a better chance for employment. While this rush to Cleveland gives Cleveland a ready labor market, it also quickly absorbs in Cleveland every available surplus of private employment.

Within the Greater Cleveland area, immediately adjoining that city, the pressure is still further concentrated upon the central corporate city of Cleveland. I mention this for the reason that the relief load is concentrated by law upon the corporate city of Cleve-

land. It is not spread over the larger area. For example, while corporate Cleveland contains but 75 percent of the population of Greater Cleveland, it contains 96 percent of the industrial employment and relief load. Comparing this load with that of the entire State, corporate Cleveland contains about one-sixth of the population of Ohio but has to carry about one-third of the industrial unemployment and relief load.

That is the scope of the industrial load of unemployment upon the corporate city alone. In times of flood or of agricultural drought, as contrasted with times of industrial drought, the conditions are substantially reversed. At those times the Nation, the State, and all industrial areas contribute liberally to the agricultural areas then damaged or in danger.

It is the natural concentration of the manufacturing industry that localizes and increases the critical character of its fluctuations and calls for the recognition of Greater Cleveland as one of the key points in every general industrial unemployment crisis.

Detroit is the only large city in the country having a higher percentage of its gainful workers than does Cleveland, engaged in the manufacturing and building industries. In Cleveland 48 percent of her gainful workers are in the manufacturing and building industries. The average for the United States is 29 percent. In Detroit the percentage is about 53 percent. Philadelphia has 44 percent; St. Louis, 42 percent; Chicago, 40 percent; Baltimore and Pittsburgh, 39 percent each; New York, 35 percent; Boston, 34 percent; and Los Angeles, 28 percent.

Because Cleveland is not as completely dependent upon any one manufacturer, or even upon any one type of manufacture as are some other industrial centers, it does not suffer an immediate serious crisis with the fluctuation of the business of any one company or even the seasonal fluctuation of any one line of manufacturing.

Senator DAVIS. Cleveland is greatly dependent upon the automobile industry, in another city?

Mr. BURTON. Yes; in Detroit.

Senator DAVIS. Yes.

Mr. BURTON. Very much so, but the automobile industry as reflected in Cleveland will run perhaps 20 percent. These other manufacturing lines that we have there involve others besides the ones dependent on the automobile industry. Detroit and Cleveland will run right together on parts and automobiles.

Cleveland is, however, severely and seriously affected with every recession, like the present one, that extends to the manufacturing industry as a whole, because such a fluctuation directly affects one-half of all of Cleveland's workers.

Although, in Cleveland, no type of manufacture commands more than about 15 percent of the entire business of the community, modern manufacturing methods are such that large numbers of workers are concentrated in a comparatively small number of plants. The result is that the closing of a few plants often affects a large number of people. By virtue of the size of the reaction this creates something of a secondary crisis in the community. It immediately reflects upon business, and you have a crisis. For example, while Cleveland has over 2,300 manufacturing concerns, about one-half of all their employees work in the 2 percent of these concerns that

employ 500 or more employees each. Carrying this still further, about 77 percent of all these employees work in the 11 percent of these concerns that employ 100 or more employees each.

The closing of the 46 largest plants would throw out of work about 80,000 people, representing one-half of the factory workers. This in turn, would directly involve, through the families of these workers, about 250,000 men, women, or children—or 20 percent of the population of Greater Cleveland.

Accordingly, in spite of the diversity of industry in Greater Cleveland, the present industrial recession has been reflected with great severity in Greater Cleveland in November and December 1937, and its effect is continuing in the current month.

The most authoritative figures obtainable by us for estimating unemployment show the following jobless workers in Greater Cleveland:

Sept. 15, 1937	93,200
Oct. 15, 1937	89,100
Nov. 15, 1937	123,800
Dec. 15, 1937	146,100
Jan. 6, 1938	175,000

The most recent estimate on the basis of present trends would increase the January 6, 1938, figure to 181,000—or just about double that of October 15. That is the effect of this recent recession.

Incidentally, the National Unemployment Census made in November of 1937 reported a minimum of 409,000 persons totally unemployed, able to work, and wanting to work in Ohio, and while the results of this census for Greater Cleveland have not yet been released, the 1930 percentages of the State and Nation indicate that this census would show that there were between 120,000 and 209,000 of such unemployed people in Greater Cleveland in November. In other words, our figures check with the low figure of the Federal Unemployment Voluntary Census.

The above figures are taken from the computations of Howard Whipple Green, Cleveland statistician who was in charge of the 1930 census in Cleveland and has been recognized as a leader in numerous population and business studies for many years. He has prepared a table of the jobless workers in Greater Cleveland as of the 15th of each month from 1930 to 1937. This table is based upon a computation of gainful workers, as reported in the 1930 census, adjusted to date. From this he has deducted the number of those employed in Cuyahoga County based on several different indices. While these indices do not coincide precisely, their general trend is exceptionally close. They include the index of employment used by the Cleveland Chamber of Commerce, that of the bureau of business research of Ohio State University, and that of the Bureau of Labor Statistics. The estimate of jobless persons in Greater Cleveland during the 8 years above mentioned is as follows:

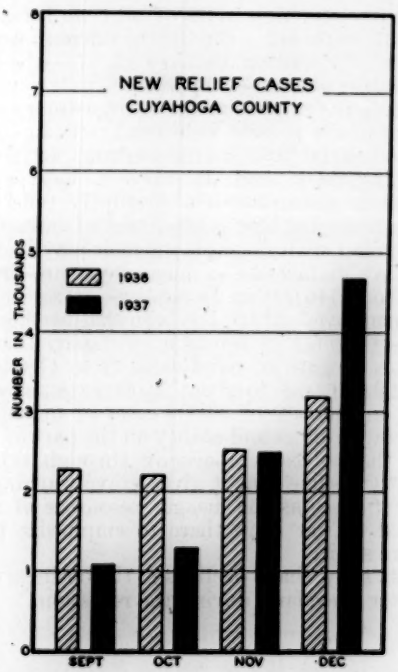
Estimated number of jobless in greater Cleveland on 15th of each month, 1930–37

	1930	1931	1932	1933	1934	1935	1936	1937
January	50,800	130,000	166,800	210,500	148,400	132,800	120,200	114,800
February	46,700	126,500	170,600	201,200	131,000	122,200	122,900	100,400
March	50,900	121,500	170,300	219,800	118,400	111,800	117,500	77,100
April	44,600	118,300	183,600	206,100	114,700	106,000	107,000	72,900
May	49,100	123,700	189,100	197,100	103,700	113,800	113,100	73,300
June	56,900	133,200	190,800	179,600	114,700	126,600	115,100	98,300
July	80,700	151,800	212,500	169,700	137,000	131,500	113,300	93,900
August	97,200	156,600	219,700	152,500	141,900	132,700	120,100	101,600
September	103,000	151,700	202,900	137,500	144,500	119,700	113,100	93,200
October	111,800	147,000	199,500	138,500	139,500	105,300	98,700	89,100
November	127,500	152,200	201,700	148,900	147,300	109,200	93,500	[1] 123,800
December	128,100	141,300	186,900	135,500	129,100	94,600	71,200	[1] 146,100

[1] Preliminary estimate.

The impact of the industrial recession upon relief is simply illustrated by the comparison of new relief cases accepted in Greater Cleveland during the last 4 months of 1937 with those during the same months of 1936. In September and October 1937 the new relief cases accepted were less in number than in 1936 by about one-half in each month. In November 1937, however, the new relief cases were almost exactly equal to those of November 1936. In December 1937 they substantially exceeded those of December 1936.

In spite of Mayor LaGuardia's objection to charts, I wish to refer to this chart ("Exhibit A"), which simply shows the new relief cases, 1936 being shown by the barred columns and 1937 by the black columns.



This chart shows that in September of this year the new relief cases were about half of what they were a year ago. Then in October they were a little more than half of what they were a year ago. In November the new relief cases were about the same as they were a year ago. Then in December of this year they exceeded those of last year by about 50 percent.

The new relief cases accepted in December 1937 numbered 4,688, as compared with 3,196 for December 1936.

A weekly tabulation of new applications made for relief bears out the same conclusion. This shows that from September 1 to November 16 far fewer new applications were made for relief in each week of 1937 than in the corresponding weeks of 1936, with the exception of 1 week in October, when the numbers were about equal. From November 16, 1937, through the week of January 11, 1938, however, the number of new applications for relief has, in each week, greatly exceeded the number of such applications during the corresponding week of the preceding year. The applications for relief in the week of January 11, 1938, are estimated to have exceeded those of the corresponding week of the preceding year by more than 50 percent.

The latest trend in applications is startling. During the holiday week there were between 200 and 250 new applications per day. During the week of January 3, 1938, the figures were—

Monday, January 3d	331	Friday	307
Tuesday	305	Saturday	147
Wesdnesday	354		
Thursday	359	Total	1,803

Note this, the previous high point of all time for a single day was December 13, 1937, with 412. But in the current week on Tuesday, January 11, it was 583, and on January 12, 677—the highest we ever had, by a considerable amount—50 percent.

The above statements emphasize the extraordinary severity and the widespread extent of the present industrial recession upon the diverse but distinctly industrial and manufacturing activities in Greater Cleveland. In December and January it has caused an extraordinary increase in unemployment promptly reflected in new applications and in necessary new acceptances of cases for direct relief.

In comparing relief with unemployment it may be noted that these general figures show an increase in unemployment—from about 90,000 in October to about 146,000 in December—or an increase of 56,000 cases, that is, unemployed, which has been still further increased by at least 30,000 more thus far in January. Compare that with relief, at the same time the increase in relief cases from October to December was from about 22,000 cases to about 28,000 cases, or a net increase of 6,000 as against an increase of 56,000 cases of unemployment. This indicates a substantial effort and ability on the part of the unemployed to provide for themselves temporarily through other means than direct relief. At the same time it gives grave warning of an impending flood of relief cases as the meager resources of the unemployed become exhausted. That is in there to emphasize the load that is ahead of us, as we see it.

2. Concrete data show sharp declines in the business of important industries in Greater Cleveland during the recession.

A. Steel: The steel industry in Greater Cleveland operated at 82 percent of capacity in the last week of July; 67 percent in the last week of September; and 18 percent in the last week of December 1937.

The CHAIRMAN. Since that time has there been an increase in steel production, as is the case elsewhere?

Mr. BURTON. In the past few days of January?

The CHAIRMAN. Yes.

Mr. BURTON. They indicated to me that they felt some stabilization there. I have not the corresponding figures for the last week of January.

The CHAIRMAN. There has been an increase?

Mr. BURTON. There has been a stabilization there that they feel hopeful about.

The CHAIRMAN. There has been an actual increase of production in the last few days throughout the Nation, and I was just wondering if that was true of your area.

Mr. BURTON. I had not heard of the increase. They spoke about having some orders coming in.

The CHAIRMAN. There was an increase last week, according to the figures I have seen.

Mr. BURTON. December of 1936 showed operations at 68 percent of capacity as compared with the 18 percent for December 1937. A tabulation of the past 16 months is as follows:

Steel industry in Cleveland district showing percentage of capacity in operations during last week of each month

	1936	1937		1936	1937
	Percent	*Percent*		*Percent*	*Percent*
January		76	July		82
February		79½	August		78
March		79½	September	82	67
April		79½	October	77	59
May		65	November	77	31
June (strike)		49	December	68	18

B. Railroad freight: Total in-bound freight handled by railroads at Greater Cleveland declined from a peak of 1,269,000 tons in March 1937 to 1,041,000 in October and to 781,000 tons in December. The inbound tonnage for December 1936 was 1,169,000, as compared to the 781,000 for December 1937. The out-bound tonnage suffered a similar decline from 474,000 tons in March 1937 to 373,000 tons in October and to 154,000 tons in December 1937. The outbound tonnage of December 1936 was 431,000, as compared with the 154,000 for Decem-

ber 1937. The following is a tabulation of tonnage handled for the past 16 months:

Tons of freight handled by railroads to and from Cleveland

	1936		1937	
	In-bound	Out-bound	In-bound	Out-bound
January			1,025,688	367,387
February			1,132,719	400,385
March			1,269,019	474,793
April			882,317	429,418
May			799,528	325,128
June			775,472	297,755
July			871,500	277,899
August			942,918	315,821
September	840,855	305,298	967,195	353,876
October	1,005,684	329,389	1,041,724	372,954
November	1,013,193	442,588	823,467	383,898
December	1,169,021	[illegible]	781,520	154,716

Does not include (in-bound) coal (cargo and fuel) for lake shipment, and does not include (out-bound) iron ore unloaded at Cleveland ore docks, but shipped to inland furnaces.

C. Pig-iron production: Pig-iron production in the Cleveland district decreased from a peak of 247,000 tons in August 1937 to 115,000 tons in December. The production for December 1936 was 188,000 tons as compared with the 115,000 tons for December 1937. Production for the past 16 months was as follows:

Pig-iron production in the Cleveland district

	1936	1937		1936	1937
	Tons	*Tons*		*Tons*	*Tons*
January		192,032	July		190,988
February		171,372	August		247,759
March		206,179	September	182,664	225,938
April		225,180	October	216,942	225,715
May		247,343	November	202,898	133,741
June		176,041	December	188,189	115,130

3. Christmas retail trade for 1937 was lower than for 1936:

While the Cleveland retail business for the whole year 1937 shows an estimated gain of 8 percent over that for 1936, the Christmas retail trade for 1937 shows a decline over that of 1936 by about 6.8 percent. The January trade estimated to date shows a decrease of about 10 percent over the corresponding month of the previous year.

Chain-store food distributors reported an increase in business for the first 10 months of 1937 of 5½ percent over 1936, but reported that November showed a decrease of 4½ percent over November 1936. December figures have not been secured, but a report has been received stating that the trend continues downward.

The Christmas department store trade of 1936 in Greater Cleveland had shown an estimated improvement of 17 percent over that of 1935. Both the dollar sales and number of sales for department-store merchandise for the Christmas season of 1937 were, however, lower than for 1936. The week ending December 5 was 6 percent lower, the next week 7 percent, the next 8 percent lower, the next 4 percent higher, and the last week 14 percent lower. It was a good

Christmas compared with 1935, but not as good as 1936. The experience for the closing 2 months of 1937 was in contrast with the experience for the earlier part of the year which showed a substantial increase, especially in the dollar value of sales as compared with those of the preceding year.

The retail Christmas trade was helpful in providing employment and business activity but reflected the effect of the recession by stopping the upward trend, as compared with 1936, that had marked the earlier part of the year.

4. Other indications of changes, particularly in the factories of Greater Cleveland, show substantial declines of employment:

A comparison of employment in 25 characteristic Cleveland manufacturing plants a year ago between September 17, 1936, and January 7, 1937, showed then an increase of 15 percent. The same plants during the same period of the current season show a decrease of 13 percent in employment.

The estimated average weekly pay roll of factory earners in greater Cleveland decreased from $4,260,000 in October 1937 to $3,660,000 in November and to $3,440,000 in December 1937. The average weekly factory pay roll in December of 1936 was $4,210,000 compared with that of $3,440,000 in December 1937. If the same ratio were to be applied to other groups, the pay rolls and the decline would need to be multiplied by about three times. The estimated average weekly pay rolls of factory earners in greater Cleveland for the past 16 months is as follows:

Estimated average weekly pay roll of factory earners in Greater Cleveland

	1936	1937		1936	1937
January		$3,931,676	July		$4,646,587
February		4,445,630	August		4,389,000
March		4,643,325	September	$3,658,624	4,428,862
April		4,696,600	October	4,026,650	4,208,535
May		4,755,082	November	4,202,400	3,666,420
June		4,589,240	December	4,212,600	3,440,677

5. Consensus of opinion in Greater Cleveland indicates no expectation of a general upturn in business during the first quarter of 1938

I am personally an optimist, and it was with chagrin that I recorded the actual reports reported here.

While there seems to be general confidence that there will be an upturn in business in Greater Cleveland, at least during the last half of 1938 and possibly during the second quarter of 1938, there seems to be no expectation of a general upturn during the first quarter. There is substantial sentiment to the effect that in many lines of business there will not be a further decline during the first quarter and that in some lines there will be an improvement. No studied estimate of the general situation, however, indicates expectation of a general upturn in business or a general increase in employment during the first quarter.

On December 27, 1937, the Cleveland Chamber of Commerce reported that 7 substantial local concerns were contemplating an increase in employment, 36 no change, and 20 a decrease. A year ago a similar report had shown 22 such concerns expecting an increase,

17 no change, and 2 a decrease. In spite of such optimism a year ago, however, their employment index actually decreased from 102 to 93, indicating that these concerns may be inclined to overestimate rather than to underestimate the probability of favorable conditions.

Representatives of Cleveland retail trade report that the trend of business during January continues to be downward as compared with the preceding year. They look for a continued drop during the next 60 to 90 days. This continued drop is somewhat influenced by the late date of Easter, which falls on April 17 in 1938, as against March 28 in 1937. Cleveland retail merchants have expressed the opinion that no upturn can be expected in their business earlier than in May.

Chain-store food distributors have reported the December trend as continuing downward and that they expect it to remain that way for the next 60 or 90 days.

The next six questions submitted by Mr. Johnstone relate to relief, and our answers are given following the respective questions.

What has been the trend of applications for relief and public assistance since September 1, 1937? (Give weekly figures, if feasible.)

Between September 1 and the end of the year 1936 relief applications numbered 19,948, and for the same period in 1937, 20,797. This shows a total increase of less than 5 percent for the period. This total figure does not, however, clearly reflect the sharp increase since November 15. In each week until that of October 25 the applications in 1937 were fewer than in 1936. Beginning, however, with the week of November 15 the applications in 1937 substantially exceed those in 1936. In December 1937 there were 6,849, as against 4,381 in December 1936. For the first week in January this year there were 2,015, as against 1,633 last year. For the second week in January this year, 2,700; last year, 1,670. The weekly tabulation appears below:

Applications for relief in Greater Cleveland week of Sept. 1, 1936, through week of Jan. 11, 1937, week of Aug. 30, 1937, through week of Jan. 10, 1938

1936		*1937*	
Sept. 1	1,147	Aug. 30	603
Sept. 7	1,479	Sept. 6	550
Sept. 14	1,070	Sept. 13	682
Sept. 21	1,056	Sept. 20	625
Sept. 28	1,162	Sept. 27	791
Oct. 5	1,021	Oct. 4	799
Oct. 12	1,062	Oct. 11	797
Oct. 19	1,070	Oct. 18	926
Oct. 26	1,109	Oct. 25	1,113
Nov. 2	1,039	Nov. 1	994
Nov. 9	1,257	Nov. 8	1,190
Nov. 16	1,196	Nov. 15	1,619
Nov. 23	1,003	Nov. 22	1,624
Nov. 30	1,377	Nov. 29	1,635
Dec. 7	1,208	Dec. 6	1,756
Dec. 14	1,353	Dec. 13	1,971
Dec. 21	814	Dec. 20	1,160
Dec. 28	1,006	Dec. 27	1,962
Total	19,948	Total	20,797
1937		*1938*	
Jan. 4	1,633	Jan. 3	2,015
Jan. 11	1,670	Jan. 10	2,700
Total	3,303	Total	4,715

A report of relief cases accepted further emphasizes the situation. The relief cases accepted in 1937 were substantially lower in September and October than during the preceding year, almost the same as the preceding year in November, but in December of 1937, 4,688 cases were accepted, as against 3,196 for December 1936. It is estimated that for January this year it will be necessary to accept about 6,000 cases as against 4,126 last year. A table of relief cases accepted in Greater Cleveland, showing monthly figures for 1936 and weekly figures for 1937, is as follows:

Relief cases accepted in greater Cleveland September 1936–January 1937; September 1937–January 1938

	1936	1937		1936	1937
Week of—			Week of—		
Aug. 30		250	Nov. 1		385
Sept. 6		250	Nov. 8		491
Sept. 13		250	Nov. 15		628
Sept. 20		250	Nov. 22		729
Sept. 27		292	Nov. 29		749
Total, September	2,298	1,092	Total, November	2,518	2,507
Oct. 4		250	Dec. 6		1,172
Oct. 11		287	Dec. 13		1,062
Oct. 18		336	Dec. 20		1,136
Oct. 25		354	Dec. 27		821
Total, October	2,217	1,297	Total, December	3,196	4,688
			January 1937	4,126	
			January 1938 (estimate)		6,000

7. To what extent are the new applications a reflection of normal seasonal declines in employment in your city? (In other words, how much of the new relief load may definitely be charged to the industrial recession?)

Those in charge of the administration of relief in Greater Cleveland have estimated that the increases in necessary relief cases between September and December 1937 are attributable one-fourth to seasonal factors and three-fourths to the increase in unemployment occasioned by the recession. The normal seasonal increase in rate of applications based upon the experience of several years between September and the following January is about 50 percent. The increase from September 1937 to January 1938, however, apparently will be at least 200 percent, which is the basis for our 3-to-1 proportion, approximately one-fourth based on seasonal factors and three-fourths on the recession.

8. How many cases (or individuals) were in the need of assistance of one kind or another in September, October, November, December 1937? (*a*) W. P. A.; (*b*) local direct relief; (*c*) social security categories, i. e., aid to the aged, to the blind, to dependent children, and so forth.

9. What are the figures for corresponding months of the year 1936?

The answers to questions 8 and 9, insofar as they relate to W. P. A. and local direct relief, are tabulated below, first on the basis of cases, then on the basis of number of persons cared for. These tables account for what are called in Greater Cleveland the "work

relief" and "direct relief" loads. The work relief load is administered by W. P. A. and the direct relief load by the respective municipalities in and near Cleveland. In addition, there are a substantial number of cases looked after by the county of Cuyahoga, which county includes Greater Cleveland. This county service includes the social security categories of aid to the aged, to the blind, to dependent children, and so forth. The county also takes care of cases technically classified under the Ohio law as those of transients, paupers, and permanently disabled. Provision is made for mothers' pensions, for state aid for soldiers and sailors, but it has not been possible to obtain for this statement, adequate figures to cover the several county agencies concerned in that way. Those can be obtained from the officials of Cuyahoga County at a later date.

The table below shows an increase in W. P. A. cases from about 20,000 in September to 25,500 in December 1937, representing an increase from about 55,000 persons to 70,000 persons. As compared with 1936 these are substantially below the W. P. A. figures of that year. At the present rate of increase, however, the W. P. A. load for this January probably will equal or exceed that of last January. Direct relief cases show an increase from about 22,000 in September to 28,000 in December 1937, representing an increase from 60,000 to 72,000 persons. The December 1937 relief cases somewhat exceeded those for 1936.

Number of cases and of persons receiving W. P. A. employment or local direct relief in Greater Cleveland, September–December 1936; September–December 1937

	Number of cases					
	W. P. A. employment		Local direct relief		Total	
	1936	1937	1936	1937	1936	1937
September	35,984	20,011	26,455	22,763	62,439	42,771
October	36,499	20,814	25,508	22,544	62,007	45,430
November	34,945	21,198	26,106	24,232	61,051	45,430
December	31,336	25,500	27,018	28,424	58,354	53,924

It was lower in December 1937 than in December 1936 for both W. P. A. and local direct relief, but we expect it to be ahead in January. It is bound to go ahead in both classifications.

The CHAIRMAN. But it is a fact that the year 1936 was certainly a comparatively good year in industry.

We can all be optimistic when we look back over the years. It was a good year, and yet you had, in October 1936, 100,000 on W. P. A. in that county. If you had 100,000 in October 1936 in a good year, when the recession or depression comes you have an unusual situation. You see no hope of even 1929 conditions providing jobs in private industry for 100,000 additional men there, do you?

Mr. BURTON. Not within this immediate future; no, sir.

The CHAIRMAN. If you had a return to 1929 conditions, insofar as that particular county is concerned, you would still have a terrible lot of people unemployed.

Mr. BURTON. I would think so, not on the W. P. A. classification.

The CHAIRMAN. Certainly, regardless of what you think, in 1937, in the early part of the year, which was still better than 1936, you never had less than 50,000 on W. P. A.

Mr. BURTON. You are including persons and not the workers.

The CHAIRMAN. The number of cases.

Mr. BURTON. Cases means the workers. Persons means families, children, and wives.

The CHAIRMAN. In 1936 it was 36,000 in October.

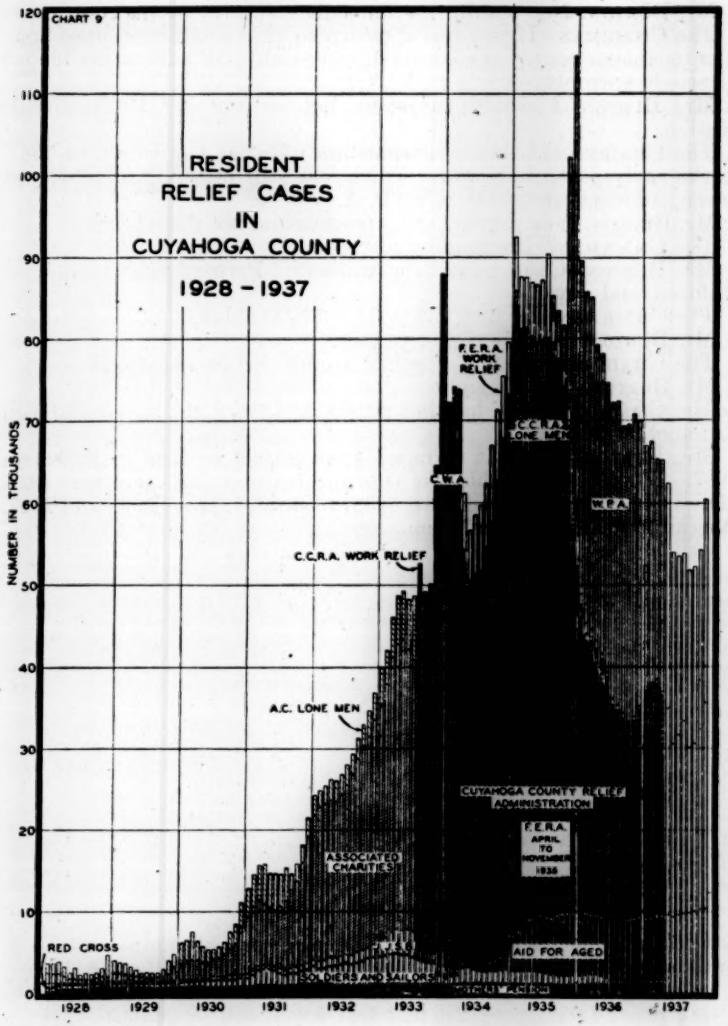
Mr. BURTON. That is right; yes, sir.

The CHAIRMAN. In 1937 you had a much better situation?

Mr. BURTON. That is right.

The CHAIRMAN. You had but 20,000, and then on direct relief you had another 20,000.

Mr. BURTON. Yes. It dropped from 25,000 in 1936 to 22,000 in 1937. If you take a table like this one (exhibit B)—here was 1929. Here is what happened in 1931, 1932, 1933, 1934, 1935, 1936, and 1937. We can get rid of a lot of them.



The CHAIRMAN. That map or chart which you have in your hand for 1929 represents how many unemployed?

Mr. BURTON. In 1929 this ran—as far as the Government was concerned, they were not in it; we had a few on mothers' pensions and a few soldiers and sailors—altogether, at the end of 1929 there were about 4,000 people, including Red Cross, Associated Charities, and everything else, on relief.

The CHAIRMAN. Persons being cared for in every way.

Mr. BURTON. They were not even being cared for by the Associated Charities. This includes private agencies.

The CHAIRMAN. Those being cared for by private agencies.

Mr. BURTON. The only ones not being cared for were those on the aid-for-aged and some other classifications shown here. There were about 4,000 of all kinds.

The CHAIRMAN. In October 1936 the persons being cared for were 100,000, and in December 1937 you have it down to 69,000.

Mr. BURTON. Let us take them all, W. P. A., county relief, and everything else, and we get the figure at the end of 1936 of about 70,000.

The CHAIRMAN. How about 1937?

Mr. BURTON. Right now it is almost up to that amount again. In the middle of the summer it was down to 55,000.

The CHAIRMAN. I am interested to get your opinion as to whether or not there were no unemployed other than those 4,000 in 1929; or who was taking care of that tremendous number of people that we are now caring for?

Mr. BURTON. I think, to a great extent, they were being taken care of by their own savings, or were being taken care of by their neighbors' savings, or their family savings, which have now become exhausted. This depression took away their savings, and their family savings and everything they had. There is no recourse to that for the people now.

The CHAIRMAN. That, undoubtedly, was a factor, but from 1935 conditions improved, did they not, in 1935, 1936, and the first part of 1937?

Mr. BURTON. During 1936 they kept improving.

The CHAIRMAN. And during the first part of 1937?

Mr. BURTON. Yes, sir.

The CHAIRMAN. Your steel production increased to its highest point?

Mr. BURTON. Yes, sir.

The CHAIRMAN. Today you are spending about $2,000,000 a month, are you not, for all purposes in that county?

Mr. BURTON. Do you mean including Federal W. P. A. and everything of that sort?

The CHAIRMAN. Yes; and for old-age pensions and benefits——

Mr. BURTON. I have not got that, but it would be fair to say that if you included all of your social securities agencies——

The CHAIRMAN. I have been reading ahead on your statement. Go ahead with it.

Senator DAVIS. How many people are there that are employable that would not accept employment if they could get it, in Cleveland, if times got prosperous, who are now classed as employable, and who are physically fit to do the work?

Mr. BURTON. How many would accept employment if they had it?

Senator DAVIS. No——

Mr. BURTON. Would not accept it or would accept it—who are chiselers?

Senator DAVIS. Would not accept it.

Mr. BURTON. Would not accept it?

Senator DAVIS. That is right; if there was a job for them they would not accept it. How many of that class do you think there are in Cleveland?

Mr. BURTON. I think it is a very small percentage. We throw them off on relief if they do not accept a relief job.

Senator DAVIS. I think Carrol Wright, in 1888, said that there were 1,000,000 men who would not accept employment if they had it. Now, the population has practically doubled since that time. Do you know what percentage there is now? That is why I asked you with reference to Cleveland.

Mr. BURTON. I do not suppose that human nature has changed a bit since then, but I think we keep a great many of them off of relief. They only go around, tramp from place to place, and beg, and do anything but work. They are still there. If you are dealing with the people that the Government is supporting, that is a comparatively small percentage. The chiselers are around 5 percent or 10 percent; not more than that. You keep catching up with them, but then there is another one that takes the place of the one that you catch up with. However, it does not change the fundamental problem as to the 90 percent.

The CHAIRMAN. I agree that it is small. At every courthouse in the Nation there are some orators who remain, and the courthouses would not look right if they were not there. They would resent an opportunity to work. However, there are not many fellows like that.

Mr. BURTON. They are an institution.

The CHAIRMAN. Yes; they are an institution. They contribute to the life of the community.

Mr. BURTON. Again taking up this table:

Number of persons cared for

	Works Progress Administration employment		Local direct relief		Total	
	1936	1937	1936	1937	1936	1937
September	98,596	54,830	73,284	60,381	171,880	115,211
October	100,007	57,030	70,549	60,099	170,556	117,129
November	95,749	58,082	71,137	64,653	166,886	122,735
December	85,860	69,870	74,837	72,469	159,697	147,339

10. To what extent were genuinely employable persons being cared for by other than W. P. A. on December 31, 1937?

This, in substance, asks what number of genuinely employable persons in Greater Cleveland, not on W. P. A., were being care for on December 31, 1937, by local direct relief, and also what number were not being cared for by either W. P. A. or local direct relief. Out of the 27,000 cases on local direct relief on December 1937, it is estimated that about 13,000 were not genuinely employable on any basis, leaving about 14,000 genuinely employable persons being cared for by local direct relief. Only about 6,500 of those in turn would be eligible for employment on W. P. A., due to such disqualifications as alien citizenship, chronic illness, women unable to leave their children, old age, part-time employment in private industry, and so forth.

Taking next the estimate of 146,000 unemployed persons made by Howard Whipple Green for Greater Cleveland as of December 15,

1937, and deducting from it all the 54,000 cases, either on W. P. A. or direct relief, leaves 92,000 unemployed who are not cared for by any public agency as of the middle of December 1937. Increased estimates for January would raise this number of unemployed not cared for by any public agency to approximately 121,000. It is impossible to estimate what proportion of these cases would qualify under the requirements of the W. P. A. law, but it is not unreasonable to assume that at least one-fourth would so qualify. Therefore, if present conditions continue, Federal W. P. A. work relief may well be needed in Greater Cleveland for the 6,500 eligible and genuinely employable persons now being cared for on local direct relief plus 30,000 unemployed not being cared for by any public agency. This makes a total estimated additional work-relief load eligible for W. P. A. of 36,500 for Greater Cleveland.

The present rate of applications indicates the necessity for preparing for such a W. P. A. load, in addition to the present load of 28,000, or a total of 64,500, at some time during the first 6 months of 1938 unless private employment conditions substantially improve.

The CHAIRMAN. That is the potential relief load in Cleveland?

Mr. BURTON. That is the potential relief W. P. A. loan; those are the employables, 6,500 W. P. A. employables, from direct relief.

The CHAIRMAN. And 121,000 is your potential over-all.

Mr. BURTON. Yes; 121,000 unemployed who are not on either W. P. A. or direct relief. At least one-fourth of these have all the qualifications for W. P. A. About 30,000, therefore, represents our potential addition to W. P. A., besides the 6,500 who are qualified for W. P. A. but are still being carried on direct relief by the city pending transfer to W. P. A.

11. What has been the trend of relief costs per case since September 1, 1937?

The trend has been the usual seasonal trend upward.

The average cost per relief case per month in Greater Cleveland at September 1, 1937—exclusive of cost of administration—was about $22 per case per month. It is now about $25. The increase is due primarily to the seasonal need for fuel. Including cost of administration, the average cost per case per month on September 1, 1937, was about $25 and is now about $28.

The general reply to Senator Byrnes' first question and to the first 11 question by Mr. Johnstone is that in Greater Cleveland the unemployment and relief situation is expected to improve before June 30, 1938, but that it will get worse before it gets better. There is evidence of stabilization and even increased employment in a few industries. In general, however, particularly in the manufacturing and building industries, and also in the retail trade, continued increased unemployment will be found during the next 4 or 5 months. This will mean increased need for relief, especially work relief for unemployed men willing to work. The seriousness of the need is evidenced by the fact that the unemployment is heavy in the manufacturing and building industries which make up nearly one-half of the employable workers in Greater Cleveland. These employees want work—not direct relief—and are ready to give substantial value for whatever payments they receive. All data for 1937 and all estimates made for 1938 support this view.

II. (Question by Senator Byrnes.) To what extent will unemployment compensation in those States which will begin payment of such benefits in January meet the need for this period?

Omitting for the moment question No. 12 asked by Mr. Johnstone, his questions Nos. 13, 14, and 15 all relate to unemployment compensation and are as follows:

13. In view of the fact that unemployment compensation will not begin in the State of Ohio before January 1939, what repercussions will this delay have on the general relief situation in your city during 1938?

14. Would it be desirable to amend the Federal Social Security and Ohio statutes in order to permit the payment of unemployment compensation benefits in your city not later than July 1, 1938?

15. What integration will be necessary between unemployment compensation, general relief, and W. P. A. when unemployment compensation becomes operative.

Unemployment compensation will not be paid in Ohio until January 1939, or if suggested amendments are obtained in the Federal laws, it is not anticipated that such compensation can be paid before late in 1938. Therefore, it is expected that State unemployment compensation will have no effect on the unemployment and relief situation in Ohio, at least during the first 9 months of 1938. Changes in existing legislation are entirely in the control of the State and Federal Governments, and I am unable to supply any first-hand information as to what policies may be followed. It is obvious, however, that it would be beneficial in handling a local unemployment situation like the present one, if the Ohio Unemployment Compensation Act were already in effect. Integration between State unemployment compensation and local direct relief will be comparatively easy when put into effect. The State unemployment compensation is merely a part of the general State social-security legislation which is depended upon ultimately to do away with emergency direct relief services.

III. (Question by Senator Byrnes.) To what extent will scheduled assistance to the aged and other specified groups under the Social Security Act affect the need?

The scheduled assistance to the aged and other specified groups under the Social Security Act should be of substantially greater assistance in future years than it is now. It also should be supplemented by the clarification of existing social legislation by the State with a view to establishing a permanent public assistance or social security program for the State.

Some assistance is now being provided in this manner. The nature and amount of it are indicated below in figures taken from the statement of the "Number of recipients and amount of obligations incurred under the public assistance program in Ohio, by county, November 1937," published by the Division of Public Assistance of the department of public welfare of the State of Ohio. (The report states that the table does not include cases or obligations incurred under the Resettlement Administration, Soldiers and Sailors Relief Program, and agencies participating in the works program other than W. P. A.) The figures quoted are those for the county of Cuyahoga, which includes Greater Cleveland.

	Number	Amount
Aid to the dependent children	3,826	$79,187.00
Aid to the blind	321	6,549.15
Aid to the aged	7,301	168,997.50
General relief	22,480	541,916.84
W. P. A. earnings	21,844	1,380,950.00

The CHAIRMAN. That is where I have my two million a month.

Mr. BURTON. Those are State compilations.

The CHAIRMAN. That meant that for the month of November you were spending for these purposes $2,000,000.

Mr. BURTON. Including Federal money.

The CHAIRMAN. Yes, being spent there for assistance in the county.

Mr. BURTON. I guess it runs higher than that, according to our averages. Last year it was about 31,000,000 for them.

The CHAIRMAN. I notice you add general relief, which means that your State spent $541,000. Is that right?

Mr. BURTON. That is what they figure for the month, but they do not get all of the city in there.

The CHAIRMAN. Then there is no use paying any attention to that?

Mr. BURTON. Ours ran perhaps between 600,000 and 700,000, but this will do for discussion.

The CHAIRMAN. I was interested in this, the gentleman testifying here the other day, Mr. Martin, representing the automobile workers, said that the State had furnished to Cleveland, or Cleveland had itself raised $18,000,000 for direct relief, which would last but 15 days. When we suggested to him that he must have meant what you now have would not last more than 15 days, and that that $18,000,000 probably provided for the year, he said, "Maybe so." What is the fact? Is there any such figure as he had in mind, $18,000,000?

Mr. BURTON. No; he had the wrong figure. If you are going to consider our local relief situation, as to how far it is provided for at this time——

The CHAIRMAN. I only want it with respect to his figures.

Mr. BURTON. That is away off. There has been one act passed by the legislature to provide for direct relief in the State. That provides about $1,200,000 in our county, and it will last 2 months.

The CHAIRMAN. That is all?

Mr. BURTON. That is all.

The CHAIRMAN. That is only 16½ million dollars wrong.

Mr. BURTON. Yes.

Mr. RAMSAY. Mr. Chairman, this compilation is nearly $2,200,000, and 12 times that raises it about $26,000,000 for a year. The outlay last year was something over $30,000,000. This is the November figure. It would be very much higher for January.

The CHAIRMAN. If you are not accurate as to the figures, let us skip them.

Mr. BURTON. That is the best State figure that we can get.

In the above table there is included the help given in the social-security categories referred to in the Federal Social Security Act. Obviously this helps to meet the local relief emergency to the extent stated. There is, however, substantial complaint that this help is not being fairly or adequately administered, and it is hoped that in the

light of experience this service will be of substantially more value to Greater Cleveland in the future than at present.

For example, the amount paid as aid for the aged in November was $168,997.50 in Cuyahoga County and the amount paid for like service is almost the same, namely, $163,365 in Hamilton County. Hamilton County contains the city of Cincinnati and its population is a little less than one-half that of Cuyahoga County. It seems obvious that the amount paid in aid of the aged, therefore, should not be substantially equal in both counties. The number now receiving such aid in Cuyahoga County is 7,301 and in Hamilton County, 7,032, in spite of the great difference in population.

The experience in October 1937, as computed by the Citizens League of Cleveland, indicates that the amount paid in aid of the aged, when computed in proportion to population, ranges from 13.84 cents in Cuyahoga County to 27.9 cents in Hamilton County, and thence upward to 63.2 cents in Perry County. The average amount of the aid so given was $21.28 per person in the State as a whole. This can be compared with the average relief payment (exclusive of administration cost) given per case in Greater Cleveland, which was about $22 per case per month at that time. The effect of this service should be, therefore, to reduce the relief rolls to the extent to which it is applied in each case that otherwise would be on relief. If it were extended in proportion to the population, it would provide important new help in meeting the relief load of Greater Cleveland.

A somewhat similar comment may be made as to the aid supplied to the blind. Comparing the same counties, 321 blind persons are receiving this aid in Cuyahoga County. 264 are receiving it in Hamilton County, which is about one-half the size of Cuyahoga County. There is also a still greater disparity in favor of the still smaller county of Franklin, where the capital city of Columbus is located. In that county 279 are receiving this aid to the blind. This results in such aid being given in Cuyahoga County to one person out of each 3,751, and in Franklin County to 1 person out of each 1,291. The monthly payments vary from approximately $20 per person in Cuyahoga County to over $27 per person in Ottawa County. Here also this service is sufficient to provide for a direct reduction of the relief rolls to the extent that the service overlaps that now being given by direct relief.

Under the Ohio law counties also pay for the care of transients, paupers, and permanently disabled persons. No clear definition exists for these classifications. The extent to which they can relieve the current local unemployment relief load depends upon the speed with which the State of Ohio adopts a clearcut permanent social security and public assistance program and administers it in accordance with actual local needs.

IV. (Question by Senator Byrnes.) To what extent will the Works Progress Administration and the State-local relief and welfare departments, as presently financed, meet the need?

The direct answer is that these agencies, as presently financed, will fall far short of meeting the need.

The present W. P. A. load in Greater Cleveland is about 28,000 cases. If present conditions of private employment do not improve soon it has been indicated above that there would be a need for the employment of 36,500 more W. P. A. workers or a total of 64,500.

W. P. A. work relief is especially well suited to this need. Those now being forced onto work relief by this recession are in many cases workers in the manufacturing and building industries. They are ready, willing, and able to work. It would be an industrial tragedy, both from the point of view of the public and of the workers themselves, to throw away their productive time and capacity.

To meet such an extension of the W. P. A. program, as is indicated above, would be impossible under the present rules as to the amount of local sponsoring funds and as to the use of W. P. A. funds for other than strictly labor items. To meet the need these rules should be adjusted especially so as to permit larger sums to be expended by W. P. A. for nonlabor items. In this way far more valuable results can be produced and the capabilities of unemployed skilled labor can be put to much more valuable use. Such expenditures will also have a greater indirect effect upon the improvement of industrial and commercial private employment through the purchase of materials supplied to building and other projects requiring materials.

Great numbers of new applicants, however, are not eligible for W. P. A. and require some other form of relief. For example, out of 194 applications accepted on December 14, 1937, in Cleveland, 130 or 67 percent were certified to W. P. A. The remaining 33 percent could not be so certified. The recent liberalizations of the intake into W. P. A. will probably increase this percentage of eligibility. It will, however, be necessary to increase substantially contributions for those not eligible to W. P. A. if present conditions continue to grow worse.

The increase of direct relief under the present system will call for increased State and local contributions for the care of persons who come within the groups specified in permanent social security legislation. To some extent, the scope of this legislation is now well defined, but the States concerned have failed to provide adequate funds or competent administration for its expenditure. Sharp Federal supervision of the State administration of these social services to which the Federal Government contributes under the Social Security Act probably would be helpful and important in securing adequate State funds and better administration of them. The expansion of this type of legislation will be needed and its administration must be absolutely fair, especially in centers of concentrated relief needs. The administration of these social services must be lifted out of party politics and put upon the highest plane of social justice. If this is not done these measures may wreck instead of preserve social security.

Senator DAVIS. You believe, then, Mayor, that social security, and relief and all, can be administered better under the merit system or civil service system, strictly out of politics, than by having it in politics?

Mr. BURTON. That is the only hope. If that is not done, it will wreck instead of improve the situation.

Senator DAVIS. I agree with you.

Mr. BURTON. In Cleveland our emergency division of relief is under civil service.

The final questions, Nos. 12 and 16, asked by Mr. Johnstone, appropriately supplement this general question. Those last two questions are here stated and answered separately.

12. How is the total cost of unemployment relief being financed at present in your city? (If feasible, give total figures for the year 1937; if not feasible, give figures for selected months of 1937) (*a*) total cost or obligations incurred (*b*) amount contributed by the city; (*c*) amount contributed by the State; (*d*) amount contributed by the Federal Government.

Our answer is summarized as follows:

TOTAL COST OF UNEMPLOYMENT RELIEF IN GREATER CLEVELAND, 1937

Statement of emergency-relief expenditures in Cuyahoga County (Greater Cleveland), Ohio, including work relief and direct relief, for the calendar year 1937, by the Government of the United States, the State of Ohio, and local subdivisions. This excludes normal institutional care, privately supported welfare services, pensions, and other forms of public assistance for specific groups under Federal or State Social Security Acts, etc., C. C. C., N. Y. A., and expenditures for P. W. A. and housing projects.

1. Government of the United States (estimated) W. P. A. work-relief program		$21,469,425
Local subdivisions:		
2. Cash expenditures, contributions in kind, etc., by all local subdivisions to W. P. A. program (estimated)	$2,500,000	
Expenditures and obligations incurred for direct relief	6,638,866	
		9,138,866
3. Expenditure by State of Ohio for direct relief		1,795,000
Total for all governments		32,403,291

[NOTE.—Out of the sum of $6,638,866 expended by the local subdivisions for emergency relief during 1937 more than $5,000,000 was expended or the obligation incurred for it by the corporate city of Cleveland.]

In addition, the following is a summary by months of the unemployment-relief expenditures by the local subdivisions in Greater Cleveland (including contributions from the State of Ohio expended through these subdivisions).

The CHAIRMAN. On the W. P. A. projects the sponsors contributed approximately 10 percent?

Mr. BURTON. This figure, over-all, shows about 10 percent—a little more than 10 percent. We try to run around 15 percent, if we can, but we cannot always do it. That is the industrial-center argument which has been put up.

The CHAIRMAN. The same argument is put up by every community. It is very difficult to say to the community which is not industrial, has no industries to support it, and which is supported in great measure by agriculture—those communities have been accustomed to look upon New York City as a rich city, and Cleveland, also, is one of the great cities of the country, and I think it would be quite a revelation to the average small city, which has no industry, to know that it and other like small cities are regarded as rich cities, and the big cities are regarded as poor cities.

Mr. BURTON. It is not entirely out of place to say that these other contributions made to direct relief make up the other factor.

The CHAIRMAN. Of course, you must recall that you are made contributions by the W. P. A. There are very few States and cities that would not take $500,000,000 from W. P. A. if they could get it, but they could not get it; that is all. They put up the 45 percent. I suppose in Cleveland you have P. W. A. projects, have you not?

Mr. BURTON. Some, but our financial resources are cut by the State bond limitations, and that has deprived us of a great deal of the P. W. A. money.

The CHAIRMAN. I understood that you had trouble there. Do you remember how much you spent for P. W. A. projects in your city?

Mr. BURTON. I cannot fairly estimate. We had a large sewage-disposal plant development, which ran about $10,000,000. That is our only outstanding one. There have been some county projects.

The CHAIRMAN. How about street improvements?

Mr. BURTON. W. P. A.

The CHAIRMAN. There is the difference. Until 1934 no city in this country ever thought that it was the duty of the Federal Government to build its streets and sidewalks, and now we are doing it.

Senator DAVIS. And schoolhouses?

The CHAIRMAN. To the extent that they get about 55 percent from the Federal Government to build the streets, it has enabled the city to make a fine showing for its budget; but you get W. P. A. to put up 90 percent. That is much better than P. W. A. which is only putting up 55 percent.

Mr. BURTON. W. P. A. street construction work is ideal for this labor.

The CHAIRMAN. Every city in the country regarded it as its duty to build its own streets until this time. We all did it.

Mr. BURTON. If you had these men out of work you would rather have them build streets than rake leaves.

The CHAIRMAN. I never could find the fellow who was raking leaves, but from California to Carolina they did charge up W. P. A. projects to raking leaves. Everybody agreed that if it could be done, desirable projects must be engaged in. Your real difficulty has been, however, as I have always understood it, that by reason of constitutional limitations you cannot levy additional taxes; is that right?

Mr. BURTON. Yes, sir.

The CHAIRMAN. What is the limitation?

Mr. BURTON. There are two limitations under our constitution. One is on the bond-issuing power, and one is on the levying power. On the bond-issuing power, no city can issue more than 5 percent of its valuation, even by vote of the people. Cleveland, before the depression, issued a great number of bonds for the benefit of the whole metropolitan area, but it was still within the 5 percent. Then the depression came along, and the valuation of the property was reduced to about 60 percent of what it used to be. The net result was that when they computed 5 percent on 60 percent of value we found our bonds outstanding were in excess of the bonds authorized, and it has cut off our normal bond-issuing power. We can vote current levies. Current levies can be voted by the people. They require a 65-percent majority vote.

The CHAIRMAN. Did you have an election upon that in Cleveland?

Mr. BURTON. We have one on March 1.

The CHAIRMAN. Of this year?

Mr. BURTON. Yes, sir.

The CHAIRMAN. Did you have one last year or the year before?

Mr. BURTON. We submitted our operating levy in November, and it was defeated.

The CHAIRMAN. I had heard that there was an election; but notwithstanding the serious problem confronting the people as to relief, they voted against giving you the power to raise additional funds.

Mr. BURTON. I would not say that that was quite so. Last November we were proposing to amend our charter so as to provide for a continuing operating levy. We did not receive a majority for that. That was an amendment to the city charter; that involved a long period of years and was to place power in the hands of the council to continue, without a vote of the people, to raise a fixed amount for operating purposes. That did not involve a levy for relief or involve a special levy for operating purposes for a year. That was defeated.

The CHAIRMAN. Can you levy for relief?

Mr. BURTON. We can submit a levy to the public of Cleveland for relief, and it has to get a 65-percent vote to carry it.

The CHAIRMAN. You are going to have an election of that kind in March?

Mr. BURTON. What we now have scheduled for March is provision for a 1-year operating levy for the city of Cleveland apart from relief. Then, whether the relief goes on there, in addition to that, depends on what the State legislature does in the meantime. We have not felt at liberty to put on anything—to estimate the amount. It looks as though we will have to put on something March 1, no matter what they do. In addition to that, the county, that provides the statutory categorical services for the aged, and so forth, put a levy on last September, and again last November, in the amount of 2.8 mills, to perform their mandatory and permissive State functions, and things of that kind, under the Security Act—about $5,000,000. They received a 53-percent vote both times, but it did not stick. It was not a statutory majority.

The CHAIRMAN. Therefore, you are prohibited from increasing your bonded indebtedness?

Mr. BURTON. That is right.

The CHAIRMAN. Of course, the fix we are in is that, there being no prohibition of that kind on the Government of the United States, we have increased our bonded debt to $40,000,000. My State has reduced its debt, and my city and county have reduced their debts. That is true throughout the country, as a general thing. And they have been able to do it because the Federal Government as a result of issuing its bonds has come to their aid and has spent money within the cities, counties, and States that they ordinarily would have had to spend. Their bonds are higher and your bonds are, too.

Mr. BURTON. They are higher locally, but we contribute to the Federal bonds. There are only one or two industrial centers in a State like New York or Ohio. We have 88 counties in Ohio, and only 11 of them have any relief problem of any consequence, and it is very difficult for others to appreciate that there is an industrial drought going on—it is difficult for the other people to see it, whereas the Federal Government can see it.

The CHAIRMAN. Has it ever occurred to you that the State of Idaho, the State of Kansas, and the State of Virginia might have the same idea about expenditures by the Federal Government in one State that the county up in Ohio would have about the expenditure in one city in the State?

Mr. BURTON. Mr. Chairman, I used to live in the State of Idaho. There is no doubt about it. Idaho feels that it is a long way from New York. There is a feeling there that they will go slow on those matters. The Federal Government is in a position to see them as they are, however.

The CHAIRMAN. The Federal Government is only constituted of the people of the States of Idaho, Kansas, Carolina, and so forth.

Mr. BURTON. That is right.

The CHAIRMAN. When Mr. Hopkins says that you have to put up 25 percent on a project, and in the State of Idaho they have to put up 37 percent in cash, it is very difficult to make the fellow from Idaho believe that a great city of the country, that he has regarded as wealthy, should only put up 10 percent. That presents to us a problem, just the same as it does to a State legislature in looking out for the State.

Mr. BURTON. I suppose the reverse of that is the large contributions to agriculture, and the saving of land, and the paying of bounties for agricultural areas, and so forth.

The CHAIRMAN. Yes; and it is not limited in that respect to any one thing. If we are going to look to subsidies, we have about half a dozen things. I want to find out about your limitations as you stated them.

Mr. BURTON. The following tables all bear out in detail——

The CHAIRMAN. Let me ask you this—well, I will not do that. We will just get into an argument. Go ahead.

Mr. BURTON. The tables bear out my arguments and support the figures.

The CHAIRMAN. Just skip those figures, because Senator Davis and I have already read them.

Mr. BURTON. There is comment in there that shows what the P. W. A. funds have been used for. They will give you an idea of it. There has been an exceptionally favorable response to it. I will now take up the last question, as to what the program should be.

The CHAIRMAN. Suppose you do this: Tell me what you think as to this one thing, as to the suggestion that has been made by one of the cities of your State—Cincinnati—as to the Federal Government allotting to the States the money for relief upon some uniform basis, to be agreed upon, and with the provision that a certain percentage shall be spent for work relief, the money thus allotted to the State to be administered by State officials and allotted within the State by State officials.

Substantially, the proposal was to follow very much the Social Security allotments to the States, with local administration, but the standards to be fixed by the Congress. What is your reaction to that proposal?

Mr. BURTON. You will find my views on that expressed in these last paragraphs. I will go over them.

The CHAIRMAN. I have read practically what you have in the manuscript. I wanted to ask you.

Mr. BURTON. I disagree with Mr. Taft, although I am very fond of him. I disagree with him to this extent: The crisis that remains is an industrial and manufacturing crisis. That is the nature of this recession. I think the way out is through the revival of private

industry. Nothing that the Federal Government can do can adequately carry it alone. Therefore the primary background of every policy, both for W. P. A., for local relief, or for any other relief, must be directed toward such a policy as will revive private industry. The first step in that, I would say, as you look at it, guiding this by the necessity of revival of private industry and the tremendous and extraordinary increase in applicants at present from the ranks of manufacturing workers and industrial workers, is to put them to work. They should not be permitted to remain idle. They should be kept at work, so as to preserve their willingness to work. They are capable of work. It is vital to the recovery of private industry that they be kept in that frame of mind. The projects on which they should work should be effectively chosen for that very purpose, so that it would also give them pride in their work.

Also, the program should be such that it is recognized as having an ultimate limitation. The work should be such that it results in a saving to the taxpayer and there should be a limitation in the sense that when you are assigned to certain projects you know that the expense is going to stop when those projects are completed. The W. P. A. should see that the projects are of a constructive nature, and that they reflect a saving to the taxpayers of the communities. This can be done better when it is seen as a whole, and the Federal Government can guide that better. When that is not done you are really disregarding the fact that modern industry is national in its scope.

The CHAIRMAN. As a matter of fact, the projects are determined by the State administrator within the State, are they not?

Mr. BURTON. As now handled, yes; but he operates under the guidance of the perspective of the whole Nation. The expenditure is not made by him.

The CHAIRMAN. The allotment is made, as described by Mr. Gill, to a region, based upon the reports as to the demands in that region.

Mr. BURTON. There is the vital factor. He can see the industry, as a whole.

The CHAIRMAN. Within a State, by the State administrator.

Mr. BURTON. Yes. My first point is, I think the Federal Government is the one to administer any industrial recovery program. This involves the W. P. A. program. The Federal Government, since the beginning of the W. P. A. has indicated that it would take up the employables, but it has never caught up with the eligible list in our community for W. P. A., although it is pretty close to it.

The CHAIRMAN. That is remarkable. I do not think they have ever caught up with it in a community.

Mr. BURTON. There was the question a little earlier which indicated to some extent that W. P. A. officials were taking a position that they had work to do, but that nobody was assigned to it, or made available to it.

The CHAIRMAN. The statement was that out of an additional number determined to be put upon projects a certain number were allotted to the various sections of the States, certain States, and that up to this time the number of eligibles certified to these projects had not taken up all of the allotments. That is all that Mr. Gill stated. He does not mean that if they would tell a State to go ahead, that they would go ahead on the 25-percent basis, not 10 percent. No State or county will spend another dollar. Otherwise, they will be building roads all

over the place, and putting up schoolhouses. There would be heavy demands immediately. But only a certain number of projects are allotted to the State.

Mr. BURTON. The second point is, and this is the main objection, I think, to Mr. Taft's program, in that it throws the Federal Government into direct relief. That is the thing to which I have a real objection. If you do that, there is no bottom to that, or no sides, or top, or anything. The Federal Government will pour in any amount of money, with no encouragement to industries or anybody else, and without any limitation. It would be the worst thing possible for the Federal Government to do that.

The CHAIRMAN. I would not want you to misunderstand his proposal from my statement. I think his statement was that while he believed at first that the allotment should be made to the State without ties, that he had found great sentiment in favor of work relief, and I think he said he believed that there should be a provision that at least 75 percent of the money allotted to the State should be spent for work relief, and that the other 25 percent would be left to the determination of the local authorities.

Mr. BURTON. I have no action of my city council in regard to that, but my personal opinion is that if the Federal Government opens its door part way to spending money for direct relief, that it will be sunk, because there is no end at all to the demands. It will discourage business. There will just be a rush for direct relief, that is, donations. There is no value received for that, or anything.

The CHAIRMAN. A donation to the State for direct relief which the State is now doing.

Mr. BURTON. All right.

The CHAIRMAN. All right. Is there any other comment you would like to make?

Mr. BURTON. Yes. I would like to make this comment that when you get to the donation part of the program, do not make it Federal when you have it State-wide. The State picks up the social-security program; it has a public-assistance program and aid of various kinds. Move into the problem from that side and where the State does take care of those things, and takes care of them well, such as aid to the aged, and so forth; absorb the needy to the extent necessary and squeeze out the chiseler and the loafer who is left between those two programs—the Federal W. P. A. program, on the one hand, and the joint Federal and State social-security program on the other. To do those things you have a difficulty now, because the States have not moved far enough or fast enough. I think the States should be encouraged to do them.

In the meantime, however, they have to carry some sort of a general relief load until they adjust themselves. If the State fails to have a direct relief program, it should be compelled by the Federal Government, as a condition of Federal Government contribution, to have an adequate direct relief program, together with a social security program. This is not done now.

The CHAIRMAN. Of course, that should be done, if it is done at all. What do you think of the proposal to endeavor to have the social-security program, or rather, the unemployment insurance program put into effect earlier? I understand, for instance, in your State it is January 1, 1939. What do you think of legislation enacted by Con-

gress to make it possible for the State to put it into operation on October 1? Would it be advisable, in your opinion?

Mr. BURTON. It would be beneficial. I have not studied its effect on the fund itself as to whether it would be able to stand the strain or not.

The CHAIRMAN. They are in a better shape now than they were in 1929, because there have been no withdrawals.

Mr. BURTON. My inclination has been to favor that. Ohio started a year ago on that.

Mr. JOHNSTONE. There have been collected for the account of Ohio the same funds by the Federal Government as have been collected for every State in the Union.

Mr. BURTON. They passed a law about in December——

Mr. JOHNSTONE. But the Federal Government started to collect at the same time.

The CHAIRMAN. Money was collected at the same time.

Mr. BURTON. If you have no complications in your actuarial requirements for this fund, I think it would be highly advantageous to get it into effect as soon as you can.

The CHAIRMAN. The money is to the credit of the State in the Treasury, but it is a question of administration, and according to statements made to us I was rather impressed with the idea that it would require time to develop a capable organization, but there would be the difference between January and October, and you could consider that.

Mr. BURTON. It would be better, so far as we are concerned.

The CHAIRMAN. The Congress will make the change that will make it possible for the State if it desires to do so. When is your legislature in session?

Mr. BURTON. It is in special session right now.

The CHAIRMAN. You may continue with your statement.

Mr. BURTON (reading):

Total unemployment relief expenditures, by months, in 1937 by all subdivisions of Cuyahoga County (Greater Cleveland), Ohio

1937	City	County	Suburbs	County payments of rent	Grand total
January		$711,496.33	$3,832.34	$53,093.19	$768,421.86
February		703,014.93	4,132.05	56,921.99	764,068.97
March		712,007.47	4,541.25	50,483.21	767,031.93
April		686,461.82	6,104.14	50,180.72	742,746.68
May	$559,339.10		7,618.90	48,598.67	615,556.57
June	499,948.24		16,428.26	42,650.51	559,027.01
July	510,586.59	26,798.30	18,748.35	41,856.38	597,989.62
August	500,049.24	29,531.12	19,810.38	44,298.31	593,689.05
September	469,586.63	31,021.47	17,447.11	47,053.48	565,108.69
October	493,708.37	29,503.27	17,046.23	46,089.89	586,347.76
November	554,677.49	29,725.92	19,474.65	49,000.00	652,878.06
December (estimated)	620,000.00	31,000.00	21,000.00	49,000.00	721,000.00
Total					7,933,866.20
Plus remission of municipal taxes by way of relief rentals					500,000.00
Total					8,433,866.20
Contributions made to relief through State of Ohio Treasury to be expended by local subdivisions					1,795,000.00
Total					6,638,866.20

The number of cases carried on direct relief in Cuyahoga County (Greater Cleveland) by months during 1937 are listed below, following which there appears the number of cases carried in W. P. A. employment:

Number of relief cases, Cuyahoga County, by months, during the year 1937

1937	City	County	Suburb	Total
January	----------	28,805	215	29,020
February	----------	30,116	204	30,320
March	----------	29,975	237	30,212
April	----------	28,849	251	29,100
May	26,809	----------	208	27,017
June	21,799	----------	895	22,694
July	20,255	2,764	879	23,898
August	20,482	2,694	822	23,988
September	18,981	2,318	759	22,058
October	18,693	2,290	791	21,774
November	19,894	2,563	921	23,378
December (estimated)	24,148	2,600	1,000	27,748

W. P. A. Employment Cuyahoga County, 1937

January	29,100	July	19,760
February	28,079	August	19,760
March	27,079	September	20,111
April	27,595	October	20,814
May	26,912	November	21,500
June	22,835	December	[1] 22,700

[1] This figure represents the number of persons actually employed by W. P. A. on December 30; persons recently assigned for W. P. A. work whose records have not been completely cleared are excluded. It is estimated that there are between 5,000 and 6,000 persons in process of transfer from the relief roll to the W. P. A. roll.

Altogether 286,250 man-months of work were provided in this county during 1937. Actual figures indicating expenditures of W. P. A. for this period are not yet available. Using $75 per month as the Federal expense of providing employment for a man in this community we arrive at a total expenditure of W. P. A. for the calendar year in this county in the sum of $21,469,425.

The above figures indicate a smaller number of W. P. A. workers in 1937 than the number of cases carried on local direct relief. This is in contrast to previous years when the W. P. A. load has exceeded the direct relief load. This comparative reduction in W. P. A. employment is not explained by the absence of employable relief clients but rather by restrictions in the administrative policies of W. P. A. and by the reduction of both Federal and local funds available for W. P. A. projects. At no time throughout the history of W. P. A. for the past 2 or more years has the eligible list of workers certified by the local relief agency for W. P. A. purposes been completely absorbed by W. P. A. In other words, the Federal Government has been liberal and helpful in carrying the employable load, but at no time has it actually carried the full load of all employable relief clients.

Because of severe restrictions upon the bond issuing power of the city of Cleveland caused by the reduction of land valuation during the depression, it would have been practically impossible for Cleveland to have had a capital improvement program during the past two years had it not been for W. P. A. Cleveland has accepted and welcomed the W. P. A. program as a means not only for reducing local direct relief loads and of putting men to work, but also as a means

of so planning and directing that work that it has contributed substantial permanent improvements to the community. The expenditures of Cleveland taxpayers for the Federal funds expended on W. P. A. projects in Cleveland has not been begrudged. It has served to some extent to relieve direct local taxation on real estate for capital improvements and it has contributed to the maintenance of a spirit of work rather than one of idleness on the part of those engaged in the city projects.

Cleveland has employed the best available planning and supervising service for every project undertaken. Among the successful and outstanding ones have been the development of the city's lake front by the construction of a lake front horticultural garden, the filling of land for the Great Lakes Exposition and the construction of a 4-mile lake shore boulevard, the development of the municipal airport, including the construction of a one-half mile square landing mat, the construction of a complete drainage system for the entire airport including that portion used for the national air races, and in this connection a new runway is now being constructed to increase the safety of blind landing at the airport. There has been a general program of rehabilitation and modernization of the city's parks and recreational areas which have been neglected for a period of from 10 to 15 years. There has been reconstruction and improvement of more than 50 miles of streets, a renewal and extension of the city's sewer system, the renovation of numerous public buildings, including especially those of the health, police, and fire departments, and the public auditorium. There has been a large grading project in the municipal cemetery, the excavation and construction of three water department reservoirs, the making of a cut to improve navigation on the city's principal river, and the carrying out of many valuable nonconstruction projects, such as the sewing project, art and music projects, the traffic survey, and the inventory now being undertaken of the city's personal property. This has all been community service which has commanded the respect of the community and in which the W. P. A. workers have learned to take a personal pride in its proper accomplishment.

16. Give general points regarding Federal-State-local collaboration in the administration or financing of unemployment relief in your city.

This final question is an invitation to recommend a policy of Federal, State, and local cooperation in the administration and financing of unemployment relief in Greater Cleveland.

POLICY OF COOPERATION

I respectfully submit the following, having particularly in mind the tragic effect of the present recession which is throwing into unemployment substantial numbers of the employable workers in the manufacturing and building industries which constitute practically half of the business of Cleveland, not only of Greater Cleveland but of the natural industrial area of 3,000,000 people of which it is the center.

PRIVATE EMPLOYMENT

1. Private employment: The most essential step of all is the recovery of private industry. The unemployment policy of the Federal, State, and local governments should be directed primarily to this end. It is only through this means that productive employment can be reestablished and new wealth created in substantial quantities. To this end a policy that will encourage and continue the habit of constructive work rather than of idleness is vital. To this end, also, a policy that will tend to produce value for money expended will be important. If this value can be produced in a way which will reduce public taxation by the saving of local or Federal expenditures for needed capital purposes it will be doubly important. A policy that will stabilize public confidence by adopting a permanent program following a reasonable course and leading to an intelligible conclusion will tend to produce needed confidence and encouragement.

A policy that will contribute to the stabilization and better administration of State social security and public assistance programs will be encouraging. It is through a policy with these characteristics that the Government can give the most assistance to the recovery of private employment.

W. P. A. WORK RELIEF PROGRAM

2. The W. P. A. work relief program should be continued and expanded to the extent and in the manner necessary to meet the needs of applicants who are in bona fide need of relief and capable of doing productive work in return for W. P. A. wages. Because of the fact that those who are going on relief as a result of the present depression are trained workers, it is essential, for the sake of the public and for their own sakes, that they be given work to do rather than a dole. The working habits of these men are at the foundation of American industry. They want work and not charity. They are willing to work for what they receive and are not seeking to get something for nothing. In that attitude of mind lies the salvation of America. It must not be destroyed by us. Many State and local governments are completely unable to pay for such a work relief program which admittedly costs more than one of pure charity in the first instance. Many cities and States are restricted by constitutional and legal limitations which make it impossible for them to adopt a large scale work relief program. Accordingly, there could not, in any event, be any uniformity throughout the Nation to an attempt to meet the issue by local work relief financing. Furthermore, the industrial crisis and the unemployment drought exists primarily and almost wholly at the industrial centers. The ruinous effect of it is clear enough to those who experience it in those centers.

It is also clear to Federal officials who see these industrial centers in their natural relation to national industry and to one another. It is difficult, if not impossible, for many State officials to appreciate the nature of this industrial calamity because in the smaller towns and agricultural areas it is not present. Many a State government, therefore, is unable to see the situation in as true or clear a perspective as is the Federal Government. Finally on this point, streams of in-

dustry are now interstate and national streams, and therefore this sudden drought and restriction in the free flow of interstate and national industry creates a distinct national problem, the solution of which properly becomes one of national policy. Furthermore, the Federal Government has already established and in operation a competent and effective Works Progress Administration familiar both with the general and specific question presented. Therefore, the first step at this time is to authorize the Works Progress Administration to do everything in its power to apply to present conditions the policy announced in previous years, but never fully put into effect, of undertaking to carry all that part of the unemployment load which can be carried by a work-relief program administered and supervised locally in the industrial centers where the primary need for it exists.

The Works Progress Administration should insist, so far as possible, that the projects be of a constructive nature which contribute permanent value to their communities and which reflect a definite saving to local taxpayers of funds which otherwise would have to be expended in substantially similar amounts for substantially similar projects in the course of the natural development of their communities. There must be in evidence throughout the W. P. A. program a policy insisting upon the highest class of planning, the best of supervision, the diligent performance of work and the thorough elimination of politics from both the choice of projects and the employment of workers. It is important to take steps which will reverse the public opinion of W. P. A. projects and performance where that public opinion does not recognize that these projects can and should be so handled as to result in actual savings to real property taxpayers for local improvements.

STATE AND LOCAL PUBLIC ASSISTANCE PROGRAMS

3. The State and local governments should develop permanent social security and public assistance programs which will attack the relief load from the other end.

While Federal work relief should take from the relief load the employable workers, the State social-security program should take from the relief rolls those who are justly entitled to public assistance on grounds of permanent policy. Between the operation of the Federal work relief program on a full scale to take care of the employables and the State program on a full scale to take care of justifiable public charges, the remainder on the relief rolls, consisting of temporary chiselers or persons unwilling to earn their way although capable of doing so, should be forced from the pay roll as imposing an unfair burden by the loafer upon the worker. In those States where the social-security and public-assistance programs are not clearly or fully developed steps should be taken to clarify them.

The Federal Social Security Act has brought about the orderly establishment of some of these State security programs. Other Federal acts authorizing Federal grants-in-aid of local enterprises have done the same. The remedy for a failure of these State policies, through inadequate State appropriations or faulty State administration, to meet the social needs of the times, is not for the Federal Government, itself, to enter into the limitless field of direct relief. If the

Federal Government should undertake to enter again into this boundless area, it would destroy, rather than create, confidence in the Federal fiscal policies. It would run at cross purposes to the primary need of the time, that the Federal policy should be so directed as to encourage recovery of private industry. The embarkation on the field of limitless expense incidental to Federal direct relief would destroy public confidence in the purpose of the Federal Government to place a future limit upon governmental expenditures. Federal work relief has vitally different characteristics from those of limitless charity. The Federal policy in this field of charity should be to aid in the development of restricted areas of justified local socal service. As a condition of its aid, it may well insist upon standards of local administration and financing that will meet adequately the actual needs of all areas within the State to which Federal aid is granted. It may well be a condition of Federal aid that the State shall prove itself to be a proper trustee for the Federal funds devoted to social security and public assistance. A test of this may well be the requirement that the State adopt and administer a local program on some intelligible and reasonable permanent basis fitted to match the Federal relief program and to carry whatever local direct relief program may be needed, particularly at the key points of national industrial development.

The Federal Government can best help the recovery of private industry by adopting a definite program to include liberal employment of industry's unemployed workers on well-planned and carefully supervised local work-relief projects; by refusing to enter the boundless field of Federal direct relief; and by insisting that the States, as a condition of Federal grants for work-relief or social-security programs, shall adequately finance and fairly administer their own social-security programs. Pending the effectiveness of State social-security measures, the Federal Government may well require a reasonable direct-relief program from each State adequate to meet the needs of all relief areas in which the Federal Government is placing Federal work-relief or social-security funds.

The Federal policy should be one dedicated to payment for work performed rather than to limitless donation.

The CHAIRMAN. That is all, Mr. Burton, unless you have something further.

(Witness excused.)

The CHAIRMAN. We will recess at this time until 2 o'clock.

(Whereupon, at 12:45 p. m., a recess was taken until 2 p. m.)

AFTER RECESS

(The hearing was resumed at 2:20 p. m., pursuant to recess.)

STATEMENT OF RICHARD W. READING, MAYOR OF DETROIT, MICH.

The CHAIRMAN. Mr. Reading, you are the mayor of Detroit?

Mr. READING. Yes, sir.

The CHAIRMAN. I wish you would advise us of the present relief situation in the city of Detroit, and in the county, too.

Mr. READING. I am much more familiar with the city than I am with the county.

The CHAIRMAN. All right; the city, then.

Mr. READING. I have prepared a tentative statement which we might amplify later.

The CHAIRMAN. Very well.

Mr. READING. I am particularly glad to have been invited to appear before this committee, because Detroit seems to be the barometer of prosperity and depression in this country. If things go well for business and industry, they seem to go well in Detroit first, and when they slump, the brunt of it usually hits us first, also.

That has been particularly true in the recession of business which hit the country in December. The Ford Motor Co., General Motors, Chrysler, and the other automobile plants, which by no means comprise all of Detroit's industrial employment, but which, of course, provide directly or indirectly a great proportion of it, suddenly laid off more than 120,000 industrially employed workmen. In addition to that, there are approximately 35,000 so-called white-collar workers laid off during this period. For example, the offices of General Motors laid off alone 2,000 workers.

Senator DAVIS. Two thousand what?

Mr. READING. Office men, so-called white-collar workers, in General Motors alone.

This situation, of course, presents to us an acute problem. Detroit is unusual in that at the pit of the depression it found it necessary to refinance and refund its debt of approximately $400,000,000 after a temporary default on its obligations. Since that time the city's financial position has greatly improved, but that improvement does not alter the fact we are bound to contracts made incident to that refunding agreement. Certain schedules of expenses and taxes make it impossible to increase sharply the amount of money spent for relief, and still remain within the reasonable capacity of the taxpayers to foot the bill.

Before the December lay-offs, Detroit had worked out a program which pretty well could take care of our fair share of the relief problem as it then existed. But the sudden increase in the number of men needing jobs and needing direct relief, combined with a sudden change of policy on the part of W. P. A., in asking for a larger proportionate share to be paid by us, has created a situation with which it is impossible for the city to cope without further Federal aid.

The sudden industrial storm has more than doubled our problem. It has increased the number of families on direct relief in Detroit from approximately 13,000 cases to 22,818 cases yesterday. That figure is in families. Applications are still coming in rapidly. Yesterday, in addition to the 22,000 cases on relief, there were 10,302 applications for relief, which we had not yet had an opportunity to investigate. W. P. A. rolls have increased from approximately 10,000 to approximately 16,000 during the same period, and during the month of December certifications for W. P. A. jobs were made at the rate of about 200 a day.

We were informed this morning that W. P. A. has insufficient money to continue putting up the same proportion of the cost of projects that it did in the past. To that there seems to be only one answer—a greater Federal appropriation to handle this emergency now.

We believe that the present plan should be continued. Despite the many criticisms of it, we feel that, as a general thing, W. P. A. projects in Detroit have been worth while, and after the initial rush to put men to work had passed, they have been conducted with a reasonable degree of efficiency. But when emergencies arise with sudden lay-offs of large numbers of industrial workers, we feel that it is the Federal Government's responsibility to make available immediately sufficient funds to take care of the situation. The financial condition of the city, hemmed in as it is by the refunding contracts, is such that it would be entirely impossible to meet this situation without further Federal aid. In my opinion, this aid should take the form of more work-relief jobs.

I am a firm believer in work relief, as opposed to the dole. I recognize that in the early phases of the work-relief program there was much to be criticized about it, a situation which was probably inevitable because of the large numbers of people who were being taken care of under an entirely new concept of governmental responsibility.

SEGREGATION OF SUBSTANDARD WORKERS

Senator DAVIS. Mr. Mayor, do you believe in the substandard workman working alongside the efficient workmen under W. P. A.?

Mr. READING. You mean the people not capable or able to work?

Senator DAVIS. That is right.

Mr. READING. I don't think the people who are unable to work should work at all.

Senator DAVIS. I mean the men who are physically handicapped referred to usually in industry as the substandard workman. Don't you think they should be off by themselves to do the things they can do, and the other workmen should be off by themselves to do the work they can do?

Mr. READING. So that they would not slow the others up?

Senator DAVIS. So that the Government would get a better return on the labor, and at the same time take care of the substandard worker.

Mr. READING. That is true. It seems to me that both from the broad national economic viewpoint of sustaining the purchasing power of the unemployed and from the standpoint of preserving the morale of the American working public until such time as they can be assured of regular jobs, and from the standpoint of securing value received for the public money which is expended to support them, there can be no justification for an abandonment of the liberal plan for work relief.

However, I do believe that it is a mistake to separate entirely the programs of work relief for employables and the direct relief that is necessary to support unemployables. I believe that a unified program should be worked out under which cities would know what their percentage would be of the entire cost of all forms of relief. And the percentage cities are asked to pay should not be set so high that they cannot handle it.

If this committee is seeking to establish a new and perfected system of relieving the unemployed, I would suggest that all sectors of the Government's program be combined under one agency with whom cities and States could deal. All requirements of the city in a

financial way should be lumped so that we would know definitely their contribution.

At the present time, together with the State, we are paying for all of the costs of direct relief and for a varying percentage of the cost of W. P. A. projects. I would also suggest that the Social Security Act be amended so that the Federal Government would pay $1 for each $1 paid by the State for the care of dependent children instead of $1 for each $2. In that way many families who have no member able to hold a work-relief job could be taken care of without a resort to direct relief.

I would also suggest, at least in the case of the largest cities, that a closer direct relationship be developed between the national W. P. A. headquarters and the cities so that it is not necessary to go through so many layers of authority. It also seems to me that no Federal program would be complete without a substantial expansion of vocational-training activities to take care of the thousands of young people who are thrown into the labor market every year and who in many cases now have no skill to offer in return for wages.

As for the future of relief in Detroit, that depends, of course, entirely on private employment, over which the city government has no control. The message I wish to leave with this committee is this: The national administration's policy is to allow no one to suffer. Detroit wants to pay its fair share of such a program, but can do no more. Congress should make provision for handling sudden emergencies, such as the one now confronting Detroit. Our city treasury—and, if I am correctly informed, the treasuries of a great many other cities—simply are not in a position to provide the money necessary.

DETROIT UNEMPLOYMENT SITUATION

The CHAIRMAN. Is the situation as to unemployment to which you refer due in great measure to the separation of automobile workers from pay rolls?

Mr. READING. Over 50 percent of it; yes.

The CHAIRMAN. I don't know all of the companies, but I went to some trouble to have the automobile producers furnish me figures of their average monthly employment for the entire year—General Motors, Ford, Chrysler, Hudson, Packard, Studebaker.

It shows as to General Motors, 196,281 for December as against 150,000 in January.

Ford's figures show 110,000 for December, 122,000 in January 1937.

Mr. READING. A year ago.

The CHAIRMAN. Yes; for the year.

In Chrysler there was a drop from 63,000 in January to 43,955 in December; Hudson, 12,000 to 7,800; Packard, from 14,000 to 12,000; Studebaker, 7,000 to 5,000.

The total of these six companies—and these are the figures furnished by these companies last week—shows in January they had 369,000 employees and in December they had 377,000.

How many of those plants are located in the Detroit area?

Mr. READING. A great many of the General Motors. The Ford Motor Co. is located outside of the city, but thousands of Detroit citizens work in the Ford and Lincoln plants.

The CHAIRMAN. Since the 1st of January General Motors have laid off a number of men, but some of the other companies have employed additional men.

Mr. READING. Some have employed some and laid them off again. The figures I received came from our welfare department.

The CHAIRMAN. These figures are from the companies by wire as of last week. They do show, however, up to January 1. Since that time we know in the case of one or two there has been an improvement. I call your attention to the fact that last week it was testified here by Mr. Martin that there had been a drop in Chrysler. Chrysler's figures show that 63,000 was the highest, and in January there were 43,000.

When did you get your figures?

Mr. READING. Saturday afternoon just before I left. I note here that Hudson took on 6,000.

The CHAIRMAN. I was going to ask about that. In view of the statement made by Ford, don't you think there should be some improvement this month over the figures that you have received from the welfare organization?

Mr. READING. It is mighty hard to predict what might happen in the next 30 or 60 days. The point I was trying to bring out is we set up a budget which we assume will take care of the people it is necessary to take care of over a period of time, and suddenly, without warning, we are confronted with a lay-off anywhere from 2 weeks on—indefinitely at the present time—where we have a load of 100,000 or more people out of employment, and it occurred to me it would be feasible when this committee was considering the matter as a whole that some provision should be made to take care of an emergency of that kind, which may last a week, 2 or 3 weeks, or a month, because it is almost impossible for a city that is in the financial condition of Detroit, having gone through what we have recently gone through, to borrow sufficient funds to take care of such an emergency.

The CHAIRMAN. Have you increased your debt during the last year?

Mr. READING. I think not. I would like to verify that. We are borrowing $1,000,000 for W. P. A. and $500,000 for direct relief this week.

The CHAIRMAN. You are doing what?

Mr. READING. We are borrowing $1,500,000, $1,000,000 of which will be used for W. P. A. and $500,000 for direct relief. We will borrow that money January 21.

The CHAIRMAN. How about your budget? Is the city living within its revenues?

Mr. READING. Approximately. We have found it necessary to do the same thing that every home owner has found it necessary to do, to cut our expenses within our income as near as possible.

The CHAIRMAN. Of course, you know the United States Government is not doing that.

Mr. READING. Yes.

The CHAIRMAN. I know you regard your condition as bad; but if you regard your condition as bad, when you are living within your revenues and you are not increasing your debt, what do you think of the United States Government, which is not living within its revenues,

but having a deficit this year of a billion dollars and already having borrowed $40,000,000,000?

Mr. READING. Our bonding limitation under our present assessed valuation—we are $62,000,000 over that. That, of course, was not caused by bad financing. That was caused by a shrinkage in assessed valuation. We are limited by law to the extent of the number of bonds we can issue as against the assessed valuation.

The CHAIRMAN. You have then borrowed to the extent of those limitations?

Mr. READING. We have not increased our debt in proportion last year, but the shrinkage in actual real-estate values has caused this. We were assessed 85 to 87 percent of the cash value of the city. The shrinkage in assessed valuation has left our bonded indebtedness that much in excess of what we can legally issue, if we had to issue.

The CHAIRMAN. I was only making that suggestion as to the Government because of your suggestion that the Government should make a larger contribution, when the fact is every State is reducing its debt and the Government is increasing its debt, and every State and city is practically living within its revenues, and the Government will have a deficit of a billion dollars.

Mr. READING. The States must of necessity live within their income, because they cannot or may not be able to borrow money on account of conditions brought about by this bonding limitation, whereas the Government can.

The CHAIRMAN. Yes, there is no limit, except the sky, for the time being.

Mr. READING. It has been said it would be better to hand this problem back to the States and let them take care of their own, and some of the Southern States think that would be all right, but we have in Detroit many wealthy men whom the Government can reach by taxation and get revenue, where we cannot do that by local taxation.

The CHAIRMAN. That is true, and it constitutes a source of revenue that you cannot reach.

Mr. READING. That is it.

The CHAIRMAN. And because of that the Government is contributing in all of this amount that bringing about the deficit, 2½ billion dollars through Social Security, Resettlement, Compensation, Work Relief. Do you think the States—and of course the cities are not affected so much by this, by these contributions to Social Security as are the States?

Mr. READING. That is true.

The CHAIRMAN. And the State of Michigan has been contributing its fair share on W. P. A. projects, I assume?

Mr. READING. That is true.

The CHAIRMAN. Let me ask you one thing. What is there to the statement made to the committee about your having in the city a club, where you had about 500 men in one room? Mr. Haber testified the room was a block long.

Mr. READING. Do you refer to the so-called Fisher Lodge?

The CHAIRMAN. The Fisher Lodge; yes.

Mr. READING. I think we have eleven or twelve hundred men there. They are men who are not married, and apparently absolutely dependent. We house them there and feed them.

The CHAIRMAN. How large a building is it?

Mr. READING. I will have to refer to the welfare department to ascertain that. I don't know. I am informed it is approximately a half block long.

The CHAIRMAN. One gentleman stated, as I recall it, it was a block long. I wondered if 500 or 1,000 men were in one room, what size room it was. Is it all one room?

Mr. READING. I will have to ask information about that. I have never been in it at all. That is a welfare department building.

The CHAIRMAN. I thought you knew.

Mr. READING. I have not been in it myself.

The CHAIRMAN. The gentleman who testified said that he had been in it, and that it was quite a large room.

What is your idea as to the wage that is paid by W. P. A.? Do you find that people on W. P. A. go out and get another job to supplement their income?

Mr. READING. I don't know that they do. I have not been in direct contact with it.

Senator DAVIS. Is there anybody with you, Mr. Mayor, who can tell us about the sanitary conditions of this Fisher Lodge?

Mr. READING. I have not been in it myself. I will be glad to send you a written report on it.

Senator DAVIS. We would appreciate it very much——

Mr. READING. The Detroit City Council is making an investigation of the Fisher Lodge this week, and I will be glad to send you a certified copy of the report.

Senator DAVIS. That will be very nice of you.

Mr. READING. I have only been in the mayor's office 2 weeks.

Senator DAVIS. I understand. How many aliens are there working in the city of Detroit?

Mr. READING. On W. P. A.?

Senator DAVIS. No; in the automobile factories.

Mr. READING. I don't know. I have no records.

Senator DAVIS. How many are crossing now every day, coming to work in the factories?

Mr. READING. I do not know, sir.

Senator DAVIS. You don't know how many are now working in Detroit who are living in Canada?

Mr. READING. I have no figures on that.

Senator DAVIS. Do you know the total number of unemployed within the city?

Mr. READING. I conferred with Mr. Harris, head of our Welfare Saturday. He told me, in the industrial field, there was 125,000, and 40,000 so-called white-collar men, which would mean 135,000 unemployed.

Senator DAVIS. That is about 75,000 more than there was between 1924 and 1927.

Mr. READING. Approximately 155,000, according to Mr. Harris. I conferred with him at length on Saturday.

Senator DAVIS. What is the population of Detroit?

Mr. READING. In round figures, about 1,600,000.

Senator DAVIS. Your transients—do you have any tabulated report of the number of transients there? There was a time when everybody throughout the country who wanted a job went to Detroit.

Mr. READING. That is true. They brought them up in boats, busses, and on the railroads from the South.

Senator DAVIS. Do you know the number of transients, and how many you are providing for?

Mr. READING. I do not.

Senator DAVIS. Is there any way of getting that?

Mr. READING. We have no record of it. They come in by bus, automobile, and trains, and we have no record of it. We have an unemployed ordinance, by which people are supposed to register as unemployed. They present these cards to the factories. That is evidence they have been in Detroit at least 1 year. There is a certain colored card for citizens and another color for noncitizens.

The thing we were trying to do was to encourage the manufacturers to employ people who had lived there at least 1 year. That was to discourage the thing you are talking about, having transients come in.

Senator DAVIS. Do you refuse relief to the so-called transients?

Mr. READING. No, sir. In emergency cases we take care of that. We take care of them and send them back, and let the other people pay their way back.

Senator DAVIS. Does the chamber of commerce now advertise Detroit as the "Workers' City; Jobs for Everyone"?

Mr. READING. I have seen no ads to that effect.

Senator DAVIS. They used to, you know.

The CHAIRMAN. They stated that?

Mr. READING. Yes.

Senator DAVIS. Either the chamber of commerce or some other organization.

Mr. READING. We have been trying to discourage the so-called transients from coming into the city and taking the place of men who have been there and have established their homes there, and who are out of employment, and we are trying to discourage having men coming in and taking a job that some resident should have.

Senator DAVIS. I recall when Ford announced $5 a day, how they came into Detroit by the thousands.

Mr. READING. That is true.

Senator DAVIS. Daily, by the thousands, looking for work. You have probably had more experience with relief or with transients than any other city.

Mr. READING. We have had plenty.

The thing that is troubling us now are these unusual lay-offs which we cannot anticipate. Ordinarily, when a factory lays a man off, they will say, "We are going to call you back about the 15th or the 1st." That is not being done now. We have no way of knowing how long we may suffer under present conditions.

Senator DAVIS. Has there been any improvement in machinery to displace workers in the last year?

Mr. READING. I don't think so, in the last year. I am not close enough in touch with the mechanical end of the industry to know, but I know of no radical changes in methods.

The CHAIRMAN. Has unemployment insurance come into effect in Michigan?

Mr. READING. July 1 of this year. There is an effort being made to advance it.

Senator DAVIS. What do you think about advancing it?

Mr. READING. I don't think it is practicable, because they must create a cushion or reserve to work on.

The CHAIRMAN. They tell us it is a question of administration, developing an organization. The funds have been paid in.

Mr. READING. That is true.

The CHAIRMAN. We had a well-informed gentleman from Wisconsin who has been administrating it, who testified it would take some months to perfect an organization to handle it.

Mr. READING. There must be a reserve to take care of the insurance.

The CHAIRMAN. They have been paying it for a year and a half, and there have been no withdrawals. It is in better shape than it will be when there are constant withdrawals.

Mr. JOHNSTON. Perhaps what is confusing the mayor is that the Government has been taxing all industries for that time, and the State of Michigan has not been taxing them.

Mr. READING. That is true.

The CHAIRMAN. That is all, Mr. Reading.

STATEMENT OF ANGELO J. ROSSI, MAYOR OF SAN FRANCISCO

The CHAIRMAN. Mr. Rossi, you are mayor of San Francisco?

Mr. ROSSI. I am.

The CHAIRMAN. How long have you been mayor of San Francisco?

Mr. ROSSI. A little over 7 years.

The CHAIRMAN. How much longer are you going to be mayor?

Mr. ROSSI. As long as the people keep me there.

The CHAIRMAN. I hope that will be a long time.

Mr. ROSSI. Thank you.

The CHAIRMAN. Did you succeed Jim Rolph?

Mr. ROSSI. I did.

The CHAIRMAN. Mr. Rossi, I wish you would tell us what the situation is in San Francisco as far as the unemployment and relief is concerned.

Mr. ROSSI. I will be very happy to do that, Mr. Chairman.

I was just notified yesterday or the day before yesterday, on my way to Washington, that I would be asked to appear before this committee, so I wired to San Francisco to get additional statistical data on the relief situation. This is what they sent to me.

1. Unemployment and relief continue to be important and serious problems in San Francisco. Unemployment relief rolls, under the State relief administration, have increased during recent months as a direct result of the so-called business recession. in addition to the normal expected seasonal increase. There is no apparent probability of a decrease in the number of applications or the number of cases on the rolls, in the immediate or near future. The usual seasonal decreases, which are of smaller magnitude than the recent unemployment due to the business recession, will begin in March and continue through June, in all probability. The rolls, however, will be heavy during the winter and spring, certainly in the unemployable group—city and county of San Francisco—and probably in the employable group—State of California.

2. At the present time the S. R. A. rolls approximate 9,500 cases, and the city and county rolls approximate 3,200 cases. W. P. A.

rolls total about 14,000. It would be impossible for the city and county of San Francisco to assume the financial burden for these 26,700 clients on a program of direct relief for all three groups. It is highly important, therefore, that the Federal Government continue participation either in a work-relief program or in some other related program, either on the same, or, preferably, on an increased or expanded basis.

3. The financial condition in the city and county of San Francisco is such as to warrant continuation of local contribution to the Federal Government's program, even to increasing such contribution in a future program should extreme conditions obtain.

4. The recent so-called business recession has been a greater factor in recent increases in relief rolls than the usual normal expected seasonal increase, and has made the relief problem more serious in San Francisco. With increased applications and rolls, the S. R. A. has enforced with greater diligence its rules of eligibility of the bases of employability, even to restrictions in classifications, to the end that the recession has been reflected in the city and county rolls of unemployables.

Senator DAVIS. Mr. Mayor, your transients come to San Francisco to remain over the winter. Numbers of them come from the Northwest, even so far as Alaska?

Mr. ROSSI. I don't think we have so many transients in San Francisco.

Senator DAVIS. You are familiar with the La Follette seamen's law, which allows seamen to come ashore and remain in San Francisco, if they desire, for 60 days before they reship again. If a seaman wants to, under the law he may do that. Do you have many of those seamen quartered in San Francisco now asking for relief?

Mr. ROSSI. At a recent meeting in my office, a committee waited upon me and said there were about 3,000 seamen unemployed but the State rules, as set down by the State relief committee, are to the effect that unless one can qualify himself as a resident of the State for a period of at least 1 year it makes him ineligible for relief. Just before I left San Francisco that was modified to some extent, because it is very difficult for a seamen to qualify his residence in any particular port, because he is always on the high seas.

Senator DAVIS. I mean those residents of San Francisco that ply the sea.

Mr. ROSSI. How can you prove they are residents? It is a very difficult matter. A man might be in San Francisco today and in Los Angeles the next day, and New York the following 3 or 4 weeks. He is always on the high seas.

Senator DAVIS. But there are many of them——

Mr. ROSSI (interposing). There are about 3,000.

Senator DAVIS. Who claim San Francisco as their home?

Mr. ROSSI. No; they do not. They are simply on shore there. That is all. They are not claiming residence, only they feel some legislation should be enacted, or something should be done by the Federal Government to take care of the seamen, regardless of where they may be, and I think there is merit to that suggestion.

Senator DAVIS. Have you made a survey of the transients in San Francisco?

Mr. Rossi. I don't think we have so many transients in San Francisco. There has never been any complaint on that score. There are probably more in the southern section of our State.

The Chairman. Proceed with your statement.

Mr. Rossi. The following tabulation of data may be of interest:

	September	October	November	December
State Relief Administration [1] cases (in San Francisco)	8,179	7,846	8,109	[2] 9,700
State Relief Administration [1] costs (in San Francisco)	$243,000	$234,000	$240,000	[2] $266,000
County and city of San Francisco, cases	2,396	2,654	2,997	[2] 3,200
County and city of San Francisco, costs	$75,000	$85,000	$97,000	[2] $112,000

[1] Data furnished by State Relief Administration (State Office in San Francisco).
[2] Estimate only; final report not available until late in January.

Mr. Johnston. That is S. R. A. relief costs? That 8,179?

Mr. Rossi. Yes.

The Chairman. What is the explanation of your September figures here, 8,179, and 8,109 for November, and yet the cost had increased $22,000?

Mr. Rossi. What month?

The Chairman. September you have 8,179; in November, 8,109, and the increased cost is as I have stated. I wondered if you are paying more between September and November.

Mr. Rossi. Whether these figures are correct or not, I don't know. They were sent to me by air mail. Whether they received less, possibly, during the month for compensation or relief, I don't know.

The Chairman. All right.

Mr. Rossi. Estimates of needs for first quarter of 1938—third quarter of 1937–38—for S. R. A. in San Francisco, $1,003,000; and for city and county of San Francisco, $360,000. These estimates are based upon current case loads and present trends insofar as it is possible to do so. In both instances—S. R. A. in San Francisco and San Francisco Department of Public Welfare—the present rate of expenditure is definitely above the regular monthly allotment—one-twelfth of the annual appropriation.

May I say this to you, Mr. Chairman, that while I make reference to the fact that possibly the business recession is responsible for the increase in the number of unemployed, personally I feel that the fact that they have discontinued P. W. A. projects has something to do with it, too; that is, so far as San Francisco is concerned. In the last 3 or 4 years in San Francisco, through P. W. A., there was a program of construction of about $150,000,000, and those projects are completed.

The Chairman. Well, you have gotten a grant toward construction on account of the fair?

Mr. Rossi. How is that?

The Chairman. You received a grant of some kind on account of the fair, didn't you?

Mr. Rossi. Yes; but that is pretty well completed, too.

The Chairman. Is that completed?

Mr. Rossi. Not completed, but so far as the Federal Government is concerned, it is practically completed, so far as expenditures of

funds. I was making reference to other projects, like sewers, schools, and the water department. All those projects are completed.

The reason why I am personally in favor of P. W. A. projects is because the municipality participates to a greater extent in the cost of that project, and incidentally it does not on the W. P. A., because the W. P. A. project is to allow a person a certain amount of money, just enough to exist, you might say, so that does not do any particular good so far as the merchants are concerned, and the landlords and the like of that. But under the P. W. A. projects, in which both the municipalities or State and Federal Government participate, you afford employment to all groups. For instance, you let a contract for a sewer project or school building. Architects are employed and clerks are employed, the "white-collar" group, and so on down the line, and it makes a different picture altogether.

While it may seem a little costly, of course the results are greater. I am expressing my own opinion on that.

The CHAIRMAN. That is what we want. In a sewerage project years ago, the city of San Francisco built its sewerage projects in the street and never looked to the Federal Government to do it.

Mr. ROSSI. No; we didn't.

The CHAIRMAN. And the city of San Francisco was in very good fix financially.

Mr. ROSSI. Let me tell you this: San Francisco at no time has ever refused to take care of the indigent poor, and we propose to continue to take care of them.

The CHAIRMAN. It lives within its budget, doesn't it?

Mr. ROSSI. Absolutely; but the real problem before us, Mr. Chairman, is not the indigent poor; it is the unemployed.

The CHAIRMAN. No doubt about that.

Mr. ROSSI. And that is not the responsibility of the municipal government.

The CHAIRMAN. To build a sewer?

Mr. ROSSI. What is that?

The CHAIRMAN. To build sidewalks?

Mr. ROSSI. No; the unemployment.

The CHAIRMAN. If you build sidewalks you give employment, don't you? It is only a question of who is going to pay for it.

Mr. ROSSI. In my opinion it is a question of who is going to pay these people to work, and whether you want them to dig roots or pull up grass or do some constructive work——

The CHAIRMAN. They say "rake leaves," but I have never known any of the W. P. A. projects to do a lot of raking of leaves. Generally, when they speak of W. P. A. jobs, they call it "raking leaves." I don't know many places where they did that. I have seen some very fine projects by W. P. A. over the country.

Mr. ROSSI. We can boast of many fine projects in San Francisco, but in the beginning we put them at work in the parks doing nothing.

The CHAIRMAN. Doing nothing?

Mr. ROSSI. That is right. They were simply walking around. That was in the beginning of the depression.

The CHAIRMAN. That was in the old F. E. R. A. days?

Mr. ROSSI. I don't know when it was.

The CHAIRMAN. What do you think of the proposal that has been ventured, and you may have heard discussed today, of the Federal

Government allotting funds, whatever funds are determined for work relief, allotting it to the States, with the provision that, say, 75 percent of the amount allotted shall be spent for work relief, but State and city officials shall control the expenditure instead of the Federal Government? What do you think of that proposal?

Mr. ROSSI. Well, I just want to say this: The less red tape there is in connection with the unemployment situation, the better the mechanics of it. It is something to be inquired into.

The CHAIRMAN. You have not any thought on that?

Mr. ROSSI. No, sir; but I will say this much—that in California, it seemed that our State relief committee had made some rules that seemed to be unfair to the municipalities, and one of them is this: They consider anyone 65 years and over unemployable, regardless of how healthy he may be. We are fighting that now, but we are not making much headway. In other words, after you are 65, you are considered unemployable.

Mr. JOHNSTON. You are eligible for old-age pension at 65.

Mr. ROSSI. That depends upon whether you measure up to the qualifications—you must be in need and out of work.

Mr. JOHNSTON. What is the average old-age pension in California?

Mr. ROSSI. It is at least $35 a month.

The CHAIRMAN. Do you know what the total of employment by P. W. A. was, during the expenditure—your $145,000,000 program, as compared with the number employed by Works Progress?

Mr. ROSSI. I couldn't answer that question, but your guess is just as good as mine on that. I know that there were $150,000,000 worth of projects going on, and that created a lot of employment, not alone in San Francisco but the entire bay area.

For instance, those two bridges—I suppose Pittsburgh got most of that money, but nevertheless it created employment, somewhere throughout the United States.

The CHAIRMAN. I am just talking about the effect on the local situation, though. Of course, necessarily, the purchase of material would mean the employment of people elsewhere.

Mr. ROSSI. It provided many jobs, right in the bay area.

The CHAIRMAN. It is your idea that in March you will have a worse condition than you now have because of the seasonal decrease in employment?

Mr. ROSSI. I didn't get that.

The CHAIRMAN. Your idea is that you will have more applications for relief?

Mr. ROSSI. There is no question about that, whether you want to charge it up to business recession or whether you want to charge it up to the fact that there are no more P. W. A. jobs, or you can charge it up any way you like, and the answer is—and incidentally, the high cost of building has something to do with it, too.

The CHAIRMAN. It has lessened building construction?

Mr. ROSSI. Absolutely; practically to a standstill.

The CHAIRMAN. Has there been increase in wages of the skilled workers?

Mr. ROSSI. Not particularly; I think that it is more in materials than it is in wages.

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Mr. ROSSI. Not particularly; I think that it is more in materials than it is in wages.

The CHAIRMAN. There is a decrease in the price of lumber, isn't there?

Mr. ROSSI. There doesn't seem to be a decrease in anything.

The CHAIRMAN. There has been—the lumber people have been testifying before us, have stated that there was a decrease in lumber.

Mr. ROSSI. The latest information that I received up in the Northwest, they have been closed down for 90 days.

The CHAIRMAN. Yes, sir; they have had an unusual closing down there, but you don't know anything different from the figures?

Mr. ROSSI. I know that the building costs have gone up materially.

The CHAIRMAN. Materials, certainly, if not labor.

Mr. ROSSI. That has stopped building operations.

The CHAIRMAN. All right, Mr. Rossi; we are very glad to have you testify.

Mr. ROSSI. Thank you.

The CHAIRMAN. The committee will recess until Wednesday morning at 10 o'clock.

(Whereupon, at 3:10 o'clock, the hearing was adjourned until Wednesday, January 19, 1938, at 10 a. m.)

UNEMPLOYMENT AND RELIEF

WEDNESDAY, JANUARY 19, 1938

UNITED STATES SENATE
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

Present: Senators Byrnes (chairman), Clark, Davis, Lodge, Murray, Hatch, and Frazier.

Present also: Alan Johnston, Esq., counsel for the committee.

The committee met, pursuant to call, at 10 a. m., in the Caucus Room, Senate Office Building, Washington, D. C., Senator James F. Byrnes (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. Hodson, will you take that chair, please.

STATEMENT OF WILLIAM HODSON, COMMISSIONER, DEPARTMENT OF PUBLIC WELFARE, NEW YORK CITY

The CHAIRMAN: Mr. Hodson, for the next several days the committee will have before it relief administrators and State Works Progress administrators, our purpose being to ascertain what is happening in several of the large industrial States in relation to the relief rolls and Works Progress Administration employment; to what extent the present State and local relief organizations and Works Progress Administrations, as presently financed, can meet the increased demands by unemployed people and ascertain also what are the actual limits of State and local finances immediately available and finances now available to the Works Progress Administration.

In this connection, Mr. Hodson, I wish you would advise us of the situation existing in New York City.

Mr. HODSON. Senator, I would like, if I may, to give a brief summarized over-all picture of what is being done in New York as a basis for the further questions which you may like to have me answer.

Prior to the 1st of January 1938 the city of New York had three organizations that were responsible for the administration of relief and public assistance. Those organizations were the Department of Public Welfare, which administered what are known as the permanent categorical forms of relief—that is, the department gave relief to old persons under the old age assistance laws; it gave relief to blind persons, under the special legislation for the care of the blind; it provided care for children who were in private institutions as public charges.

There was also the Board of Child Welfare, that was responsible for the so-called mothers' pension law. That Board administered care to mothers with dependent children. It was a separate board, set up

under separate statute and separately administered; and then there was what was known as the Emergency Relief Bureau.

The Emergency Relief Bureau administered assistance to the needy unemployed who did not fall into any of these other permanent categories.

On the 1st of January 1938, under State legislation and following the rules and regulations of the State department of social welfare, most of those activities were merged in the work of the department of welfare, as it is now called. All of that activity is now under the direction of the department of welfare with the exception of assistance to mothers with dependent children, which is still separately administered by the board of child welfare.

That means that you have in New York, under the administration of the department of welfare, the following: 196,550 cases receiving direct home relief—that was the figure for December—at a total cost to the city, and the State in 1937 of $105,987,000.

In addition to that, the department gives assistance to old persons who are 65 years of age and over. Under the old-age-assistance laws, 47,821 old persons were aided in 1937, at a cost of $13,956,000.

The department cares for 23,480 children who are in institutions as public charges, and that cost the city in 1937, $8,898,000.

Then there are 1,307 blind persons who are cared for at a cost in 1937 of approximately $183,768. Let me add the board of child welfare, a separate organization which cares for 36,775 children, at a cost in 1937 of $8,976,553.

These costs for the Board of Child Welfare and the Department of Public Welfare do not include administration. The former spent $580,047 and the latter $764,992 on administration in 1937.

Now the total cost of all of those forms of relief was, in 1937, $139,347,040.

Now, in addition to those forms of relief, the Department of Welfare also administers what is known as the Commodity Distribution Division. In 1937 there were distributed about 64,047,814 pounds of food at a value of approximately $4,530,016. The Commodity Distribution Division also distributed about 1,391,527 articles of clothing, at a value of about $1,213,865. That clothing was manufactured by W. P. A. sewing projects. It also distributed towels, sheets, pillowcases, and other articles of a similar nature, in the sum of 1,138,135 articles, valued at about $720,233. And it also was responsible for the distribution of about 14,848,389 quarts of what is called 8-cent milk, milk which is distributed at cost to persons who are unable to pay the full cost, and the retail value of that milk was about $1,561,960.

Senator DAVIS. What is the difference between 8-cent milk and other milk?

Mr. HODSON. Eight-cent milk is milk which is distributed at cost to families who are unable to pay the full cost.

The department of welfare, through a school relief committee, also distributes lunches, milk, and clothing to school children, at a cost of about $1,608,162 which is included in the direct relief figures which I gave you.

Senator DAVIS. What I am trying to find out is this: Is that 8-cent milk grade A milk?

Mr. HODSON. No, sir: it is grade B milk.

Senator DAVIS. I notice you said you had 196,000 children——

Mr. HODSON. The board of child welfare takes care of approximately 37,000 children a year. That is 196,000 cases of which 64 percent are families.

Senator DAVIS. What is the total number of children——

Mr. HODSON. I said "families."

Now, gentlemen, that is a general picture with respect to the present administration. The department of welfare administers all forms of relief with the exception of aid to dependent mothers, which is still administered by the board of child welfare.

Mr. JOHNSTON. Mr. Hodson, you have spoken of the cost. Do any of these funds come from State funds to the city of New York?

Mr. HODSON. Yes, they do.

Mr. JOHNSTON. What is the total contribution of State funds to the funds that are expended in the department of welfare?

Mr. HODSON. Mr. Counsel, if you will let me turn that around—of the total of $139,347,000, which I gave you as the total cost of these different forms of relief, the city's share is $91,350,000.

Now, the balance of that is distributed between the State and the Federal Government.

Mr. JOHNSTON. What is that balance?

Mr. HODSON. You mean, as between State and Federal Government?

Mr. JOHNSTON. The city expends of this sum $91,350,000?

Mr. HODSON. That is right.

Mr. JOHNSTON. How much more of the funds that you expend comes from the State and Federal Government?

Mr. HODSON. That is the difference between $91,357,000 and $139,347,000. That is $47,990,000. I submit these tables to show total disbursements year by year on public assistance, other than direct and work relief. Mayor LaGuardia's testimony contained figures for direct relief.

CITY OF NEW YORK, DEPARTMENT OF WELFARE, DIVISION OF STATISTICAL AND BUDGET CONTROL

1. Expenditures for Board of Child Welfare from Jan 1, 1934, to Dec 31, 1937

Year	Administrative expenses	Allowances to widows and guardians	Total expenditures	Number of persons on staff
1934	$369,735	$9,749,246	$10,118,981	216
1935	382,867	9,664,324	10,047,191	216
1936	384,573	9,664,193	10,048,766	216
1937	580,047	8,976,553	9,556,600	453
Total	1,717,222	38,054,316	39,771,538	

2. City, State, and Federal Government share of expenditures made by Board of Child Welfare, from Jan. 1, 1934, to Dec. 31, 1937

Year	Total expenditures	City's share	Percentage	States' share [1]	Percentage	Federal Government share [1]	Percentage
1934	$10,118,981	$10,118,981	100.00				
1935	10,047,191	10,047,191	100.00				
1936	10,048,766	10,048,766	100.00				
1937	9,556,600	6,471,102	67.71	$1,356,956	14.20	$1,728,542	18.09
Total	39,771,538	36,686,040	92.24	1,356,956	3.41	1,728,542	4.35

[1] Until May 1, of 1937, no reimbursement from State and Federal Governments. At the present time, State and Federal Governments through the State govenment are reimbursing expenditures approximately 50 percent on widows' allowances.

3. Expenditures for old-age assistance, blind assistance and dependent-children assistance from Jan. 1, 1934, to Dec. 31, 1937

Year	Administrative expenses	Department of Public Welfare			Total expenditures
		Old-age sistance	Blind assistance	Assistance to dependent children	
1934	$410,405	$6,938,104	$200,000	$8,259,418	$15,807,927
1935	485,761	7,487,373	200,000	8,058,426	16,231,560
1936	522,504	8,129,037	199,605	8,064,155	16,915,301
1937	764,992	13,956,030	183,768	8,898,533	23,803,323
Total	2,183,662	36,510,544	783,373	33,280,532	72,758,111

The Department of Public Welfare has on its regular staff at the present time, administering this program, 1,477 persons.

4. City, State, and Federal Governments' share of expenditures made by Department of Public Welfare from Jan. 1, 1934, to Dec. 31, 1937

Year	Total expenditures	City's share	Percentage	State's share	Percentage	Federal Government's share [1]	Percentage
1934	$15,807,927	$12,338,875	78.05	$3,469,052	21.95		
1935	16,231,560	12,487,873	76.94	3,743,687	23.06		
1936	16,915,301	11,682,288	69.06	3,027,089	17.90	$2,205,924	13.04
1937	23,803,323	13,151,866	55.25	4,231,101	17.78	6,420,356	26.97
Total	72,758,111	49,660,902	68.25	14,470,929	19.89	8,626,280	11.86

[1] Beginning May 25, 1936, the Federal Government through the State government has been reimbursing expenditures on old-age assistance approximately 50 percent.

Mr. JOHNSTON. Of that sum, how much comes from the State of New York?

Mr. HODSON. Commissioner Adie is here, Mr. Counsel, and he can give you the exact figure with respect to that.

Mr. JOHNSTON. You do not know, then, what sum comes from the Government?

Mr. HODSON. I do not know the break-down between the Federal and State Governments.

Mr. JOHNSTON. Does your organization certify people who are employed by the Works Progress Administration of New York City?

Mr. HODSON. Yes, sir.

Mr. JOHNSTON. What is the functional relationship between the Employment Service, that is, the United States Employment Service, the home relief bureau, and the Works Progress Administration in New York City? Will you describe that?

Mr. HODSON. That is rather a complicated story, Mr. Counsel, but let me give it to you as simply as I can.

It has been the practice in New York City since August of 1935 for the department of welfare to certify all persons who are placed on the W. P. A. rolls. What happens is this:

The department of welfare is responsible for investigating all applications for relief. If a particular individual or family is certified as being in need of relief after investigation, it is then given relief by the department of welfare.

When the Works Progress Administration wants labor, whether it is skilled or unskilled, white collar or professional, it sends a requisition to the department of welfare for the required number of workers. The department of welfare then certifies these workers to the Works Progress Administration, and the latter, after it has examined these people as to their suitability for employment under the Works Progress Administration, will put them to work.

In many parts of the country the certification of workers to Works Progress Administration has been a responsibility of the Employment Service. That is not the fact in New York City.

Mr. JOHNSTON. What relation do these people have to the Employment Service at all? Are they registered there for work?

Mr. HODSON. Most of them are, Mr. Counsel, in one way or another. Up to December 31, 1937, we had in all our district welfare offices about 60 occupational clerks who came from the State department of labor.

Mr. JOHNSTON. That is the Employment Service?

Mr. HODSON. The Employment Service. They are no longer there, and we are working out new plans for cooperation with the Employment Service. At the moment, of course, that Service is overwhelmed with responsibility in connection with the administration of the new unemployment insurance law.

Mr. JOHNSTON. With respect to employment on the W. P. A. in New York City, who determines the question of employability of these clients?

Mr. HODSON. I want Colonel Somervell to check me on this when he testifies.

Mr. JOHNSTON. That is the Works Progress administrator of New York City?

Mr. HODSON. Yes; but I would say we share the responsibility. This is what happens in the district offices:

The district office clerk obtains work history of each individual of employable age on relief. We regard him as employable if he is physically and mentally able to do some kind of work. We then certify him to the Works Progress Administration and they, in turn, subject him to another examination to determine whether or not he is eligible under the general rules and regulations affecting W. P. A. employment; and, to determine whether or not he is capable of doing the particular job to which he is to be assigned. In other words, if he says he is a carpenter, whether he is a carpenter sufficiently skilled to do the work required by W. P. A.

Mr. JOHNSTON. But, in the first instance, you make the determination?

Mr. HODSON. We make the initial determination and we make that largely, Mr. Counsel, on the basis of whether or not he is physically and mentally able to do such work: At the same time we classify them occupationally. We ascertain what their work history has been. If a man says he spent 10 years as a carpenter, and gives us the facts with respect to it, we then certify him as a carpenter to W. P. A. They, in turn, make their own determination, after that man comes to their jurisdiction.

The CHAIRMAN. Do you make an independent check of his statement, or do you accept the statements made by him?

Mr. HODSON. Senator, we do not regard ourselves as an employment agency. We regard our job as that of giving relief to persons in need. Therefore, we do not undertake to make the kind of careful analysis of the work capacity of these people that an employment service would make. We do that on a very rough and general basis.

The CHAIRMAN. I mean, as to the elements of need, is an investigation made?

Mr. HODSON. As to need, we make a very careful determination of that question. That is our business, to find out whether he actually is in need, and if he is on the relief rolls, it may be presumed that he is in need.

The CHAIRMAN. You have investigators who go out and inquire as to need?

Mr. HODSON. That's right.

Mr. JOHNSTON. Mr. Hodson, Mayor LaGuardia stated that there were on your home-relief rolls in New York City at the present time 103,000 able-bodied persons capable of work, who are available for certification to the Works Progress Administration.

Mr. HODSON. Yes; I think, Mr. Counsel, that that is a minimum figure. There are 103,000 persons whom we regard as capable of work, who are classified into various classifications. There are 11 major industrial classifications. There are another 12,000 who are as yet unclassified.

Now, the point I would like to make is that I think there is some distinction between the numbers of people that we regard as being available for employment and the numbers of persons who would actually be eligible for W. P. A. employment, under the rules and regulations and laws affecting W. P. A.

Mr. JOHNSTON. In the sense that some of these employable people—that is, certain families—have one, two, or three employable persons in them?

Mr. HODSON. That would be one factor. Under W. P. A. regulations, you can only employ one person in the family.

We might have in a home-relief family two persons who were employable and who would appear in our total of persons who were actually employable, whereas Works Progress Administration would say, "Well, we will take only one employable person in that family." And there are other limitations.

Mr. JOHNSTON. Such as citizenship?

Mr. HODSON. Yes; the Federal law, I believe, bars the taking of aliens on W. P. A. It gives preference to those who are citizens or who have taken out their first papers. I suppose there might be some

difference because of the following situations. We might certify a person as employable in the physical and mental sense, whereas W. P. A. might find he was not employable with respect to the particular classification to which he has been certified. The point we make is that in our home-relief cases, of 196,550 there are a minimum of 103,000 employable persons.

Whether they are all eligible for W. P. A., you see, is another matter. We have 103,000 as a minimum that we know are physically and mentally capable of doing some kind of work, and an additional 12,000 who are not as yet classified occupationally.

Mr. JOHNSTON. Would you give us a brief statement of the figures of the Home Relief rolls from the year 1933 to date, with particular reference to recent weeks?

Mr. HODSON. Now, Mr. Counsel, I think it might be well to go back to 1932. I will give you the figure for January, the beginning of the year, and the figure for December, the end of the year, for 1932, 1933, 1934, 1935, 1936, and 1937.

Mr. JOHNSTON. At the end of December or the 1st of December?

Mr. HODSON. These figures cover the total number of cases given relief in January and December of each year since 1932.

Mr. JOHNSTON. All right.

Mr. HODSON. In 1932, in the month of January, we had 80,081 cases. I am giving you now, by the way, the figures for both Work and Home Relief. That is the total.

Mr. JOHNSTON. Eighty thousand persons, or 80,000 families?

Mr. HODSON. 80,081 cases. A case may be either a single individual or a family. May I say that we have had varied phases in the relief program. We began with work relief, administered by the city, then we had C. W. A., and then we had work relief, again administered by the city. Since August 1935 we have had work relief under W. P. A. In giving you the figures the important thing is to give you the total of all persons over that period who were either on work or home relief in order to get the complete picture.

Mr. JOHNSTON. All right.

Mr. HODSON. In January of 1932 there were 80,081 cases on work and home relief, and by December of that year the figure had increased to 119,687.

In January of 1933 we had 135,465 on work and home relief, and in December we had 279,401.

In 1934 we had 321,153 in January and 348,966 in December.

In 1935 we had 359,981 in January and 433,363 in December.

That shows, for 1932, 1933, 1934, and 1935, a gradual increase all along the line.

The year 1936 shows the first drop. In January of 1936 we had 432,395 cases and in December of that year 387,653. The first 3 months of 1936 showed an increase, the last 9 months showed a continuous decline in the total.

In 1937, in January, we had a total of 381,364 cases on work and home relief, and in October we had 327,664.

Now, from October through the rest of 1937, the last 3 months of the year, we have had a rising case load due to the change in business conditions.

Mr. JOHNSTON. So that today, what is the total figure?

Mr. HODSON. If I had Colonel Somerville's December figure, I could give you the total. It is, on direct relief, in December of 1937, 196,550.

Colonel, what is your figure?

Mr. SOMERVILLE. One hundred and thirty-nine thousand, including the Federal projects.

Mr. JOHNSTON. That is 335,550?

Mr. HODSON. Yes.

Mr. JOHNSTON. As compared with what figure on the 1st of January of 1937?

Mr. HODSON. In January of 1937, 381,364.

Mr. JOHNSTON. So that you are not yet up to where you were on the 1st of January of 1937?

Mr. HODSON. No; but I call your attention to this fact, Mr. Counsel, that if you look at the home relief figure now, exclusive of the work relief figure, our figure in January of 1937 was 190,275, and our figure in December is 196,550.

Mr. JOHNSTON. One hundred and ninety-six thousand?

Mr. HODSON. Yes; 196,550. In other words, I think that you will find as you look over the figures for New York City that we are not subject to seasonal fluctuations, as such. We are subject to the general business swing, when conditions have improved materially in business, our total figures go down, and when the business figure is low, and the employment figure is low, our relief loads go up, and if you check that with the index of factory employment, you will find that the totals of relief go down as the factory index goes up. This table shows:

TABLE 5.—*The movement of the total relief load month, by months since January 1932*

Month	1932	1933	1934	1935	1936	1937
January	80,081	135,465	321,153	359,981	432,295	381,364
February	107,606	163,292	338,467	365,664	443,113	375,966
March	128,392	186,840	364,960	366,837	449,229	371,321
April	123,763	220,005	338,064	366,189	444,328	363,563
May	115,064	212,860	319,400	367,890	429,703	360,946
June	98,788	218,057	316,946	366,005	427,499	347,088
July	95,636	218,419	323,790	369,558	420,064	322,614
August	100,454	206,983	333,420	398,834	413,115	326,564
September	99,128	195,005	332,541	445,512	410,614	331,856
October	104,389	190,580	337,145	451,156	407,709	327,664
November	109,199	228,805	338,826	414,749	399,643	324,161
December	119,687	279,401	348,966	433,363	387,653	335,550

Mr. JOHNSTON. How do you figure relief to these families? I mean to say, how do you determine the amount of relief that you give to a family?

Mr. HODSON. Well, Mr. Counsel, that is determined in a variety of ways, because there are a variety of items in the budget. Let me generalize about that first and particularize later.

The budget varies with respect to the number in the family, and the ages of the persons in the family and the places in which they live.

We, first, investigate the family or the individual to determine what income they have. If they have no income at all, we give them the total amount provided for in their budget. If they have some income, we give them the difference between the income and the budget.

We determine the food budget with the advice of a nutrition committee in the city of New York. This committee consists of a group of nutritionists who are constantly in touch with food prices, who know the best methods for purchasing foods that give the largest food values at the least cost. Our food budget is based upon the findings of this group of expert nutritionists.

The rent budget is determined by an examination of the rent paid by relief families, and is fixed at an arithmetical mean between the high and low which is paid by those families. The rent schedule varies with the type of building. The allowance for a centrally heated building is higher than for one without such heat. It increases with sanitary improvement. We have four major rent schedules.

In general, that is the way in which the major items of the budget are determined.

Mr. JOHNSTON. Do you give them cash?

Mr. HODSON. Oh, yes.

Mr. JOHNSTON. And they buy their own supplies, and so forth, in their own way?

Mr. HODSON. In New York City, we provide a cash allowance. Of course, there are certain services which are given in kind, such as the surplus commodities.

We also provide medical and nursing services for our families, over and above the cash allowance. I wish to submit the following tables to show how our allowances vary.

CITY OF NEW YORK. DEPARTMENT OF WELFARE, DIVISION OF STATISTICAL AND BUDGET CONTROL

Monthly family budget tables

[Figures apply to families without income living in houses without central heat and without private toilet]

Type of family	Food	Gas for cooking only	Gas or electricity for light	Household supplies	Fuel for winter heating	Total food, fuel, light, h. h. s. and winter heating	Rent schedule A-1	Total budget
1-person family	$12.50	$1.50	$1.30	$0.20	$3	$18.50	$11.00	$29.50
2-person family:								
No children under 12	20.00	1.50	1.30	.40	6	29.20	12.00	41.20
1 child under 12	16.90	1.50	1.30	.40	6	26.10	12.00	38.10
3-person family:								
No children under 12	27.50	1.50	1.30	.60	6	36.90	14.50	51.40
1 child under 12	24.80	1.50	1.30	.60	6	34.20	14.50	48.70
2 children under 12	22.00	1.50	1.30	.60	6	31.40	14.50	45.90
4-person family:								
No children under 12	31.80	1.70	1.40	.80	6	41.70	14.50	56.20
1 child under 12	29.70	1.70	1.40	.80	6	39.60	14.50	54.10
2 children under 12	27.30	1.70	1.40	.80	6	37.20	14.50	51.70
3 children under 12	25.10	1.70	1.40	.80	6	35.00	14.50	49.50
5-person family:								
No children under 12	39.80	1.70	1.40	1.00	6	49.90	16.50	66.40
1 child under 12	37.80	1.70	1.40	1.00	6	47.90	16.50	64.40
2 children under 12	35.70	1.70	1.40	1.00	6	45.80	16.50	62.30
3 children under 12	33.10	1.70	1.40	1.00	6	43.20	16.50	59.70
4 children under 12	30.70	1.70	1.40	1.00	6	40.80	16.50	57.30
6-person family:								
No children under 12	47.70	1.70	1.40	1.20	6	58.00	16.50	74.50
1 child under 12	45.80	1.70	1.40	1.20	6	56.10	16.50	72.60
2 children under 12	43.60	1.70	1.40	1.20	6	53.90	16.50	70.40
3 children under 12	41.50	1.70	1.40	1.20	6	51.80	16.50	68.30
4 children under 12	39.00	1.70	1.40	1.20	6	49.30	16.50	65.80
5 children under 12	36.10	1.70	1.40	1.20	6	46.40	16.50	62.90

Monthly family budget tables—Continued

Type of family	Food	Gas for cooking only	Gas or electricity for light	Household supplies	Fuel for winter heating	Total food, fuel, light, h. h. s. and winter heating	Rent schedule A–1	Total budget
7-person family:								
No children under 12	55.70	1.70	1.40	1.40	6	66.20	18.00	84.20
1 child under 12	53.90	1.70	1.40	1.40	6	64.40	18.00	82.40
2 children under 12	51.60	1.70	1.40	1.40	6	62.10	18.00	80.10
3 children under 12	49.40	1.70	1.40	1.40	6	59.90	18.00	77.90
4 children under 12	47.00	1.70	1.40	1.40	6	57.50	18.00	75.50
5 children under 12	44.80	1.70	1.40	1.40	6	55.30	18.00	73.30
6 children under 12	42.10	1.70	1.40	1.40	6	52.60	18.00	70.60

Type of family	Food	Gas for cooking only	Gas or electricity for light	Household supplies	Total food, fuel, light, and household supplies	Rent schedule B–1	Total budget
1-person family	$12.50	$1.50	$1.30	$0.20	$15.50	$14.00	$29.50
2-person family:							
No children under 12	20.00	1.50	1.30	.40	23.20	15.00	38.20
1 child under 12	16.90	1.50	1.30	.40	20.10	15.00	35.10
3-person family:							
No children under 12	27.50	1.50	1.30	.60	30.90	18.50	49.40
1 child under 12	24.80	1.50	1.30	.60	28.20	18.50	46.70
2 children under 12	22.00	1.50	1.30	.60	25.40	18.50	43.90
4-person family:							
No children under 12	31.80	1.70	1.40	.80	35.70	18.50	54.20
1 child under 12	29.70	1.70	1.40	.80	33.60	18.50	52.10
2 children under 12	27.30	1.70	1.40	.80	31.20	18.50	49.70
3 children under 12	25.10	1.70	1.40	.80	29.00	18.50	47.50
5-person family:							
No children under 12	39.80	1.70	1.40	1.00	43.90	21.00	64.90
1 child under 12	37.80	1.70	1.40	1.00	41.90	21.00	62.90
2 children under 12	35.70	1.70	1.40	1.00	39.80	21.00	60.80
3 children under 12	33.10	1.70	1.40	1.00	37.20	21.00	58.20
4 children under 12	30.70	1.70	1.40	1.00	34.80	21.00	55.80
6-person family:							
No children under 12	47.70	1.70	1.40	1.20	52.00	21.00	73.00
1 child under 12	45.80	1.70	1.40	1.20	50.10	21.00	71.10
2 children under 12	43.60	1.70	1.40	1.20	47.90	21.00	68.90
3 children under 12	41.50	1.70	1.40	1.20	45.80	21.00	66.80
4 children under 12	39.00	1.70	1.40	1.20	43.30	21.00	64.30
5 children under 12	36.10	1.70	1.40	1.20	40.40	21.00	61.40
7-person family:							
No children under 12	55.70	1.70	1.40	1.40	60.20	22.50	82.70
1 child under 12	53.90	1.70	1.40	1.40	58.40	22.50	80.90
2 children under 12	51.60	1.70	1.40	1.40	56.10	22.50	78.60
3 children under 12	49.40	1.70	1.40	1.40	53.90	22.50	76.40
4 children under 12	47.00	1.70	1.40	1.40	51.50	22.50	74.00
5 children under 12	44.80	1.70	1.40	1.40	49.30	22.50	71.80
6 children under 12	42.10	1.70	1.40	1.40	46.60	22.50	69.10

Monthly family budget tables—Continued

Type of family	Food	Gas for cooking only	Gas or electricity for light	Household supplies	Fuel for winter heating	Total food, fuel, light, h. h. s. and winter heating	Rent schedule C-1	Total budget
One-person family	$12.50	$1.50	$1.30	$0.20	$3.00	$18.50	$15.00	$33.50
Two-person family:								
No children under 12	20.00	1.50	1.30	.40	6.00	29.20	16.00	45.20
1 child under 12	16.90	1.50	1.30	.40	6.00	26.10	16.00	42.10
Three-person family:								
No children under 12	27.50	1.50	1.30	.60	6.00	36.90	18.50	55.40
1 child under 12	24.80	1.50	1.30	.60	6.00	34.20	18.50	52.70
2 children under 12	22.00	1.50	1.30	.60	6.00	31.40	18.50	49.90
Four-person family:								
No children under 12	31.80	1.70	1.40	.80	6.00	41.70	18.50	60.20
1 child under 12	29.70	1.70	1.40	.80	6.00	39.60	18.50	58.10
2 children under 12	27.30	1.70	1.40	.80	6.00	37.20	18.50	55.70
3 children under 12	25.10	1.70	1.40	.80	6.00	35.00	18.50	53.50
Five-person family:								
No children under 12	39.80	1.70	1.40	1.00	6.00	49.90	20.50	70.40
1 child under 12	37.80	1.70	1.40	1.00	6.00	47.90	20.50	68.40
2 children under 12	35.70	1.70	1.40	1.00	6.00	45.80	20.50	66.30
3 children under 12	33.10	1.70	1.40	1.00	6.00	43.20	20.50	63.70
4 children under 12	30.70	1.70	1.40	1.00	6.00	40.80	20.50	61.30
Six-person family:								
No children under 12	47.70	1.70	1.40	1.20	6.00	58.00	20.50	78.50
1 child under 12	45.80	1.70	1.40	1.20	6.00	56.10	20.50	76.60
2 children under 12	43.60	1.70	1.40	1.20	6.00	53.90	20.50	74.40
3 children under 12	41.50	1.70	1.40	1.20	6.00	51.80	20.50	72.30
4 children under 12	39.00	1.70	1.40	1.20	6.00	49.30	20.50	69.80
5 children under 12	36.10	1.70	1.40	1.20	6.00	46.40	20.50	66.90
Seven-person family:								
No children under 12	55.70	1.70	1.40	1.40	6.00	66.20	22.00	88.20
1 child under 12	53.90	1.70	1.40	1.40	6.00	64.40	22.00	86.40
2 children under 12	51.60	1.70	1.40	1.40	6.00	62.10	22.00	84.10
3 children under 12	49.40	1.70	1.40	1.40	6.00	59.90	22.00	81.90
4 children under 12	47.00	1.70	1.40	1.40	6.00	57.50	22.00	79.50
5 children under 12	44.80	1.70	1.40	1.40	6.00	55.30	22.00	77.30
6 children under 12	42.10	1.70	1.40	1.40	6.00	52.60	22.00	74.60

Type of family	Food	Gas for cooking only	Gas or electricity for light	Household supplies	Total food, fuel, light, and household supplies	Rent schedule B-1	Total budget
1-person family	$12.50	$1.50	$1.30	$0.20	$15.50	$18.00	$33.50
2-person family:							
No children under 12	20.00	1.50	1.30	.40	23.20	22.50	45.70
1 child under 12	16.90	1.50	1.30	.40	20.10	22.50	42.60
3-person family:							
No children under 12	27.50	1.50	1.30	.60	30.90	25.50	56.40
1 child under 12	24.80	1.50	1.30	.60	28.20	25.50	53.70
2 children under 12	22.00	1.50	1.30	.60	25.40	25.50	50.90
4-person family:							
No children under 12	31.80	1.70	1.40	.80	35.70	25.50	61.20
1 child under 12	29.70	1.70	1.40	.80	33.60	25.50	59.10
2 children under 12	27.30	1.70	1.40	.80	31.20	25.50	56.70
3 children under 12	25.10	1.70	1.40	.80	29.00	25.50	54.50
5-person family:							
No children under 12	39.80	1.70	1.40	1.00	43.90	27.50	71.40
1 child under 12	37.80	1.70	1.40	1.00	41.90	27.50	69.40
2 children under 12	35.70	1.70	1.40	1.00	39.80	27.50	67.30
3 children under 12	33.10	1.70	1.40	1.00	37.20	27.50	64.70
4 children under 12	30.70	1.70	1.40	1.00	34.80	27.50	62.30
6-person family:							
No children under 12	47.70	1.70	1.40	1.20	52.00	27.50	79.50
1 child under 12	45.80	1.70	1.40	1.20	50.10	27.50	77.60
2 children under 12	43.60	1.70	1.40	1.20	47.90	27.50	75.40
3 children under 12	41.50	1.70	1.40	1.20	45.80	27.50	73.30
4 children under 12	39.00	1.70	1.40	1.20	43.30	27.50	70.80
5 children under 12	36.10	1.70	1.40	1.20	40.40	27.50	67.90
7-person family:							
No children under 12	55.70	1.70	1.40	1.40	60.20	28.50	88.70
1 child under 12	53.90	1.70	1.40	1.40	58.40	28.50	86.90
2 children under 12	51.60	1.70	1.40	1.40	56.10	28.50	84.60
3 children under 12	49.40	1.70	1.40	1.40	53.90	28.50	82.40
4 children under 12	47.00	1.70	1.40	1.40	51.50	28.50	80.00
5 children under 12	44.80	1.70	1.40	1.40	49.30	28.50	77.80
6 children under 12	42.10	1.70	1.40	1.40	46.60	28.50	75.10

Mr. JOHNSTON. How do your budgets compare with W. P. A. wages paid?

Mr. HODSON. Well, Mr. Counsel, you will bear in mind that W. P. A. has a fixed wage for different types of labor, regardless of the size of the family. In granting relief, we fix the budgets in terms of the size of the family, so that it is very difficult to compare unless you are comparing the wage in each individual case with relief budgetary standards.

Do I make myself clear?

Mr. JOHNSTON. Yes, sir.

Do you supplement any of these wages that W. P. A. workers receive?

Mr. HODSON. We supplement it in about 6,000 cases.

Mr. JOHNSTON. Out of 124,000 cases?

Mr. HODSON. Yes; the total on W. P. A.

The CHAIRMAN. Where do you supplement, and in what cases do you supplement?

Mr. HODSON. In those cases, Senator, where the budget of the family, the budget which they would receive on relief, is more than the amount which they receive in wages. Suppose that you had a large family, in which the minimum budget would run as high as $70 a month, and suppose that the wage paid by W. P. A. is $60.50, there would be supplementation.

Mr. CHAIRMAN. You owed the $10.

Mr. HODSON. We supplement in those instances exactly as I assume we will be called upon to supplement for unemployment insurance.

The CHAIRMAN. You have 6,000 of such cases?

Mr. HODSON. Yes.

The CHAIRMAN. Well, you supplement the income of persons other than those persons on W. P. A.?

Mr. HODSON. I regret to say that we do, Senator. There are some cases in which we have to supplement the wages paid to these families by private industry.

The CHAIRMAN. I wondered if that might lead some people in business to pay a low wage, relying upon the Welfare Bureau supplementing the income?

Mr. HODSON. Well, Senator, I suppose that that is true, in some cases, very unfortunately.

The CHAIRMAN. It is hard to check it, too, is it not?

Mr. HODSON. With some industries, and in some businesses, we get splendid cooperation, and with others we don't.

Senator DAVIS. If you interfered in any way with it, that is to say that you call up the employer of that particular person, he would in all probability discharge him, because of the fact that you requested an increase of pay for him?

Mr. HODSON. Well, Senator, we obtain in New York City about 5,500 pay rolls, which are given to us by some of the large business and industrial concerns, and we check those pay rolls against our relief rolls, so that we can get a fair picture, with respect to those business organizations that report to us, as to what the wage is, and as to whether they are earning sufficient so that they can care for themselves.

In other instances, we don't get cooperation, and we are not able to check the pay rolls. At the present time, as you know, it is not possible for us to check the records of the unemployment insurance fund as to the persons who are reported to it as being on pay rolls.

The CHAIRMAN. How would you check up in the case where the compensation of the employee is fixed, having in mind the tips that are paid to an employee?

That is a pretty difficult thing to tell what the compensation of that person is?

Mr. HODSON. Yes; that is difficult to do, in the very nature of the situation. A good many studies have been made by our State Labor Department to determine what the total amount of tips is, over a period of a week or a month or a year, as the case may be, and we resort to those studies where necessary.

The CHAIRMAN. Looking at the pay roll, it would be quite deceptive. Your people would find that impossible to check up unless you have got some idea as to the average amount received?

Mr. HODSON. Quite so; but then, of course, you have the opportunity of checking the situation up with the person on relief.

The CHAIRMAN. One other question. What has been your experience as to the people to whom you give relief? Do they continue on the relief rolls or do they voluntarily separate themselves from it?

Mr. HODSON. Senator, we have a large turn-over on relief, and let me put it this way:

In 1937 we closed—that is, took off the rolls—41 percent of our total case load. I think that it is important to distinguish here between the assistance that is given to old people, which is pretty steady and permanent. Once on the roll, they remain there until they die. By and large, they are no longer able to work, and they must receive assistance if they are without resources.

The home relief load in large part, however, is a group of people who are on and off. When they obtain temporary jobs, they leave relief. When they lose these jobs and exhaust their resources, they come back, so that the direct home relief load is a constantly changing and fluctuating load.

It is true that there are some people who remain on home relief for a considerable period of time. By and large we are having a constant fluctuation. The best figure that I can give you is that in 1937, 41 percent of these people left relief.

The CHAIRMAN. Voluntarily?

Mr. HODSON. Oh, yes.

The CHAIRMAN. You are not responsible for their getting no further—you didn't cut down the appropriation?

Mr. HODSON. No; those were people who had secured some type of employment or found other resources, or means of taking care of themselves.

Senator DAVIS. What are the housing conditions of those on relief?

Mr. HODSON. Senator, we refuse to permit any family to remain in any building which is condemned by the tenement-house department. In other words, we take all families out of buildings which do not pass the requirements of the tenement house building department, and our rent schedule is adjusted so as to make that possible.

Mr. JOHNSTON. Would you care to make any kind of statement upon the matter of the health of people on home relief, in comparison with the general health of the population of New York City?

Mr. HODSON. Well, obviously, the commissioner of health is in a much better position to speak authoritatively with respect to that, Mr. Counsel, but let me say this:

On an average, in New York, through our medical and nursing service, we provide some kind of medical and nursing care to approximately 20,000 people a month.

Now, of course, that involves varied types of care. That is largely serious illness of a temporary nature, but the fact remains that a very substantial part of our load is not currently employable, because of illness, or because of physical defects. If we were in a position to do what that famous 450 physicans who issued a pronunciamento pointing out the necessity for health care on a public basis, I suspect that we would find anywhere from 10 to 20 percent of our load ultimately able to work, and not in need of public care, so that a very important phase of this whole problem is the question of the prevention of disease, and the prevention of accidents, industrial and otherwise.

I can think of no single program which would do more to reduce the relief rolls, other than, of course, a proper employment program, than a broad-gaged national public-health program, which would reduce substantially preventable illness.

Now, that obviously is not going to be done except on the basis of a Nation-wide public-health program.

Senator DAVIS. What percentage of the budget of those on relief goes for medical assistance?

Mr. HODSON. Senator, we spend during the year about $1,041,180 for medical and nursing care. That amount is not included in the individual budget. When people on relief are sick, they call us up and we send a doctor to the house who is in private practice. We pay him $2 per visit to these families.

Senator DAVIS. Just take one family getting $70 a month; no part of that goes for medical assistance?

Mr. HODSON. That wouldn't be included because we don't budget medical care in terms of cash. We provide that service separately.

Senator DAVIS. In your investigations, have you found that any part of it—that they themselves desire their own physicians to come, other than the one that you furnish—that they spend any part of it?

Mr. HODSON. Any family which has a physician and requests that he be sent to them will obtain his services, provided that he is on the panel, which is approved by the county medical association. In other words, if my physician is Dr. Smith and he is on the panel I can have him.

Senator DAVIS. Have you found them using any other physicians that are not on the panel?

Mr. HODSON. Oh, I suppose that there may be a very occasional instance of that kind.

Mr. JOHNSTON. Have you got any statistical data as to the number of cases in which you were required to supplement inadequate private wages?

Mr. HODSON. The latest figure available is one for the fall of 1936. At that time 5,405 cases, or 2.9 percent of the entire caseload, were cases in which earnings in private industry were being supplemented. I will file with the committee exhibit A, a copy of that study. There is no reason to believe that the situation has changed since then.

I would like to say this, if I may, in conclusion, that I hope very much that this committee will help the American people to visualize the problem of relief and American social security as a whole. I think that the difficulty thus far has been that we have put a microscope on each distinct phase of the problem, and we talk about home relief, or we talk about work relief, or we talk about old-age assistance, or we discuss unemployment insurance, but we never at any given moment of time, see the whole problem in all of its relationships.

For example, the whole question of unemployment insurance is tied up with the relief problem, because the relief authorities will have to supplement the unemployment-insurance allowance. The home-relief problem is tied up with the work relief problem, because the home relief certifies these people to work relief.

The home-relief problem is tied up to the problem of Old Age Assistance, and the problem of caring for mothers with dependent children, because these people come from the same group.

The unemployed needy person doesn't care a whoop about all of these different overhead organizations; what he wants is a job, or public assistance of some kind, and he wants that as expeditiously as possible.

The trouble is that we haven't given enough attention to this thing as it affects the needy unemployed person. We become involved in all kinds of questions about what we do in this area of home relief, or that area of work relief, or this area of Social Security.

What we must do and it seems to me that this committee can help the American people to see that our problem is to obtain jobs for the unemployed, either in private industry or through the Government, or else to provide food, shelter, and clothing. The quicker we drop the business of focusing on some one phase of it, without considering that phase in relation to the other phases the better it is going to be for the unemployed and the better it is going to be for the whole country, because after all it is the taxpayer who pays the bill, whether the money comes through one channel or whether it comes through another. It seems to me that the opportunity which presents itself to this committee, if I may make bold to say so, is that it may give the American people a chance to see the problem as a whole, not in fragments, not in phases, not in particular aspects, but see the problem as a whole. That problem is a problem of jobs, and in the absence of jobs, a problem of food, shelter, and clothing. Those are the only two significant principles in the whole range of activities that have been presented to this committee.

Senator DAVIS. How are the employees selected to administer this?

Mr. HODSON. It is all under civil service now, Senator. It wasn't so in the beginning, but all of our employees must now take an open competitive examination to hold their jobs.

The CHAIRMAN. Thank you.

(Witness excused.)

Exhibit A follows:

EXHIBIT A

THE USE OF RELIEF FUNDS TO SUPPLEMENT WAGES

The Research Department of the Emergency Relief Bureau and the State Department of Labor have jointly undertaken and completed a study that reveals the extent to which the relief dollar is being used to supplement low wages in private industry.

The survey found 5,934 men and women in 5,405 relief families who, though employed, did not earn enough to support themselves and their families according to Emergency Relief budgetary standards. These families made up 2.9 percent of the Emergency Relief Bureau caseload for the period covered by the study, which was from September through December 1936. The supplementary relief granted to this group costs the city and State governments approximately $2,342,000 annually. The total number of these cases has possibly declined with the general reduction in caseload since December 1936. However, nothing has happened to reduce the proportion of these cases to the total caseload.

For the 3,469 persons employed on jobs without tips for which the hourly wage could be computed, a median hourly wage of 29.2 cents was found; 785, or 22.6 percent of these men and women, earned less than 20 cents an hour, while 146, or 18.6 percent of this group, were actually being paid less than 10 cents an hour. The median wage for this group was between 17 and 19 cents less than the lowest hourly wage for Works Progress Administration labor.

The question naturally arises as to how funds intended to meet the distress of needy persons arising out of unemployment can be used to provide supplementary assistance for employed persons. The answer is that need is a relative term which must be determined by an objective income test. The method of determination is as follows:

The emergency relief bureau and the State relief administration have set up minimum standards of support, which are predicated upon the cost of the necessities required to sustain life. Any individual or family which does not have sufficient income to meet these minimum standards is entitled to the difference between the relief budget based upon these standards and income. Without some such objective tests, the proper distribution of relief funds would be impossible. It, therefore, follows that any employed worker who has a budget deficit, as shown by such computation, is eligible for relief.

This system naturally opens the door for the unscrupulous employer who is willing to pay starvation wages. It becomes possible for him to hire people with the understanding that the wage is inadequate and will have to be supplemented from relief funds. Emergency relief bureau investigators report that relief recipients have been told by employers to go to the relief bureau for assistance. The employer who underwrites his pay rolls in this fashion has a competitive advantage in the market over his more scrupulous competitor. The latter, to protect his business, may even be forced to follow the same practice.

It is one thing to recognize the problem; it is another thing to know what to do about it. If the emergency relief bureau refuses to give assistance to such exploited workers, the common sense act would be to give up the job and receive full support from the city. This means an increase in relief costs. It also may mean an abandonment of the effort to achieve self-support on the part of a considerable number of relief recipients. It is, indeed, a tribute to these individuals that they are willing to labor under these inhuman conditions when they could do as well economically by not working. It should be remembered that the emergency relief bureau has not exerted any pressure upon these individuals to take this type of substandard employment. On the contrary, it has been the policy of the relief administration to refuse to refer relief recipients to jobs that do not meet decent standards.

It is apparent that it is not within the power of the emergency relief bureau to correct this condition unless the solution is to deny relief to persons employed full time in industry. This, however, would not be a solution but an evasion of the problem. The solution is to compel employers to pay a living wage for all persons who are employed full time. In the hope that publicising the facts will contribute to such social action, this report has been prepared.

Every case on relief in which there was supplementation of wages in private industry during the period September through December 1936 was carefully studied. Employers were visited by field representatives and wages and hours were verified. The most important findings of the survey are summarized in the following text and tables.

HOURLY WAGES OF INDUSTRY, WITHOUT TIPS

The best measure of the degree to which low wages are responsible for relief supplementation is the hourly wage. The reason is that some persons earn a fair hourly wage but their need for relief arises from the fact of part-time employment or the support of a large family.

In the attached table I there is computed the hourly wages for men and women in six major divisions of private enterprises. Hourly wages could be computed for 3,469 persons while hourly wages could not be computed for 1,937 persons. There were 1,577 janitors or domestic servants in the latter group whose hours were irregular. The balance likewise had irregular hours.

Both men and women are equally the victims of low wages. There were 3,069 men and 2,337 women whose wages in private industry had to be supplemented from relief funds.

No type of private enterprise was free from exploitation. Of the persons employed, 19.6 percent were engaged in manufacturing; 13.7 percent were employed in trade; 3.8 percent were employed in hotel and restaurant work; 12.3 percent in domestic service; 29.2 percent in janitorial work; and the balance in miscellaneous occupations.

For the 1,893 men and 1,576 women employed on jobs where no tips were received, a median hourly wage of 28.2 cents and 30.2 cents, respectively, was found. For 518, or 27.4 percent, of these men and 267, or 16.9 percent, of these women, earnings were less than 20 cents an hour, while 103, or 5.4 percent, of the men and 43, or 2.7 percent, of the women were actually being paid less than 10 cents an hour.

As few as 470, or 24.8 percent, of the 1,893 men and 304, or 19.3 percent, of the 1,576 women earned more than 40 cents an hour. While the hourly earnings of this group appear to exceed what is usually regarded as a reasonable minimum wage, these persons were nevertheless entitled to supplementary relief either because of part-time employment or because the family dependent upon these earnings was above the average size. Regardless of the cause, the earnings did not cover the relief budget.

If we included the janitors whose hourly wages were most certainly under 40 cents an hour, whose median weekly wage was $4.06 for the men and $2.83 for the women, a still smaller percentage would be shown to earn 40 cents an hour or more or 16.9 percent of the men and 13.7 percent of the women.

THE RELATIONSHIP OF HOURS TO WAGES

Students of the labor problem have long known that there is generally a correlation between low wages and long hours for persons engaged in normal full-time work. In the attached table II we have correlated wages and hours. The findings tend to support this axiom although it should be noted that the number of wage earners covered by each group is not comparable in every case. The median weekly wage for men working between 36 and 42 hours a week is $11.79, and between 42 and 48 hours, $12.07, while between 48 and 54 hours it was $11.40; between 54 and under 60 hours, $10.88; and for 60 hours and over, $11.27.

This principle is even truer for women. The median wage was $12.52 for women working between 36 and 42 hours; between 42 and 48 hours, $12.85; while it was $12.34 for women working between 48 and 54 hours, $8.75 for 54 to 60 and $7.83 for 60 hours and over. The fact that supplementation from relief funds was required in cases where earnings averaged about $12 a week is not surprising if the number of persons dependent upon this wage is taken into account. For example, at the time of the field study, a family of four with a working member was entitled to a relief budget of $18 a week. It should be borne in mind that the relief budget is the irreducible minimum required for support in New York City. Every family of four with no income other than that provided by an adult wage earner receiving $12 a week was therefore eligible for $26 a month in supplementary relief.

There were 69 persons earning less than $5 a week for a workweek that was 42 hours or more. Of this number, 55 persons worked more than 48 hours. There were 273 persons who earned between $5 and $10 a week for a workweek in excess of 42 hours. Of this number, 186 worked more than 48 hours a week. There were 416 persons who worked more than 42 hours for a wage ranging between $10 and $15 a week. Of this number, 252 persons worked more than 48 hours a week.

Bad conditions were found in every type of economic enterprise for those working a full week. Of those earning less than $5, 13.1 percent were in manufacturing; 30.4 percent in trade; 14.5 percent in domestic service; and 42 percent in miscellaneous occupations and industries. Of those earning between $5 and $10, 17.6 percent were in manufacturing; 36.3 percent in trade; 4 percent in hotel and restaurant work; 12.8 percent in domestic service or employed as janitors; and 29.3 percent in miscellaneous occupations and industries. Of those earning between $10 and $15, 34.9 percent were in manufacturing; 31.7 percent in trade; 7.9 percent in hotel and restaurant work; 1.2 percent in domestic service or employed as janitors; and 24.3 percent in miscellaneous occupations and industries.

It will be noted that there were 16 persons who did not receive any cash wages. In these cases, wages were paid in kind through either the provision of bed, board, or commodities. Except for those janitors where the rent could be translated into a cash wage, no effort was made to place a monetary value upon payments in kind. In others in the lowest wage group, there was frequently some additional payment in kind.

JOBS WITH TIPS

The previous discussion covered jobs without tips. In the attached table III, the weekly wages for jobs with tips are shown. There were 465 men and 63 women found whose wages were so low that even addition of the tips did not increase their earnings sufficiently to cover the Emergency Relief Bureau budget. Table IV shows the hourly wage. For the 427 men in this group whose hourly wage was reported, we found a median hourly wage of 17.3 cents while the median hourly wage for the 62 women was 15.8 cents. For 11.6 percent of these men and 75.8 percent of these women earnings were less than 20 cents an hour while only 19 men or 4.4 percent and 2 women or 3.2 percent earned 40 cents or more per hour. These 21 people likewise required supplementation because of only part-time employment or because the number dependent upon them for support was too heavy a burden for their incomes.

CONCLUSION

It is clear from the foregoing that most of the supplementation can be attributed to exceptionally low wages. A rough approximation of the extent to which substandard wages are responsible for relief supplementation may be obtained by determining the number of persons who would have been able to support a family of either 4 or 5 on the relief budget while working 44 hours a week and earning the hourly wage shown by the study. This is based upon the sound assumption that a worker employed full time should normally earn enough to support a family of 4 or 5 according to relief standards. Of the 5,934 persons, only 795, or 13.4 percent could have covered the relief budget of $18 a week for a family of four, and only 517, or 8.7 percent could have covered the relief budget of $20 for a family of five. In other words, about 90 percent required relief supplementation because of substandard wages. About 10 percent required supplementation because of part-time employment or because the family dependent upon them for support was above average size.

CITY OF NEW YORK EMERGENCY RELIEF BUREAU, DIVISION OF STATISTICAL AND BUDGET CONTROL, RESEARCH DEPARTMENT

TABLE I.—*Hourly wages of men and women on relief employed in private industry in jobs where no tips are paid*

Hourly wages	Total all industries and occupations for all wage earners	Total all industries and occupations		Janitorial work in apartment, tenement or private homes		Domestic service in private homes		Manufacturing		Trade		Hotel and restaurant		All other occupations and industries	
		Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Median (in dollars)	0.292	0.282	0.302	(1)	(1)	(1)	0.292	0.328	0.315	0.242	0.305	0.268	0.278	0.297	0.306
Total reporting	3,469	1,893	1,576	29	16	8	615	478	517	613	167	131	48	634	213
No cash wages	14	12	2	2			1	4		3	1	1		2	
Under 5 cents	14	11	3				2			7	1	1		3	
5 and under 10 cents	118	80	38				25	7	8	32		2	1	39	4
10 and under 15 cents	262	174	88	5			37	27	23	73	8	10	3	59	17
15 and under 20 cents	377	241	136	4	1	1	60	37	34	110	13	14	5	75	23
20 and under 25 cents	419	236	183	3	3	1	59	57	63	96	27	25	10	54	21
25 and under 30 cents	629	305	324	2	1	1	148	74	96	103	33	35	9	90	37
30 and under 35 cents	523	216	307	3	1		100	60	112	63	49	16	5	74	40
35 and under 40 cents	339	148	191	2	3	3	66	55	69	33	14	8	8	47	31
40 and under 45 cents	270	134	136		2		49	56	51	33	13	5	3	40	18
45 and under 50 cents	97	51	46		2		15	33	20	2	1			16	8
50 and under 55 cents	168	99	69	3		1	39	27	19	20	3	8	1	40	7
55 and under 60 cents	54	33	21	1	1		7	8	7	11	2			13	4
60 and under 65 cents	43	36	7	1			2	7	3	6		1	1	21	1
65 and under 70 cents	29	17	12	1	1		2	6	6	3	1	1	1	6	1
70 and under 75 cents	15	13	2					2	2	3				8	
75 and under 80 cents	20	18	2				2	2		8		1		7	
80 and under 85 cents	12	9	3				1	2		2	1	2	1	3	
85 and under 90 cents	12	9	3					1	3	1		1		6	
90 and under 95 cents	8	6	2	1	1			3		1				1	
95 and under $1	9	9						1		1				7	
$1 and over	37	36	1	1		1		9	1	2				23	
Hours not reported	1,937	1,176	761	891	643	2	41	31	35	65	3	15	9	172	30
PERCENTAGE DISTRIBUTION[2]															
No cash wages	0.4	0.6	0.1	(1)			0.2	0.8		0.5	0.6	0.8		0.3	
Wages under 5 cents	.8	1.2	.3	(1)			.5	.8		1.6	1.2	1.5		.8	
Wages under 10 cents	4.2	5.4	2.7	(1)			4.6	2.3	1.5	6.9	1.2	3.1	2.1	6.9	1.9
Wages under 20 cents	22.6	27.4	16.9	(1)	(1)	(1)	20.3	15.7	12.6	36.7	13.8	21.4	18.8	28.1	20.7
Wages under 30 cents	52.8	55.9	49.1	(1)	(1)	(1)	54.0	43.1	43.3	69.2	49.7	67.2	58.3	50.8	47.9
Wages under 40 cents	77.7	75.2	80.7	(1)	(1)	(1)	81.0	67.2	78.3	84.8	87.4	85.5	85.4	69.9	81.2
Wages over 40 cents	22.3	24.8	19.3	(1)	(1)	(1)	19.0	32.8	21.7	15.2	12.6	14.5	14.6	30.1	18.8

[1] Number of cases reporting are too few to compute significant medians or percentage figures.

[2] Percentage distribution is based on total reporting hourly wages.

TABLE II.—*Weekly wages and hours of men and women on relief who are employed in private industry in jobs without tips, all industries and occupations*

MEN

Weekly wages	Total	Number whose weekly hours were—									
		Under 12	12 and under 24	24 and under 36	36 and under 42	42 and under 48	48 and under 54	54 and under 60	60 and over	Irregular and on call	Hours not reported
Median wage (in dollars)	6.01	3.37	5.76	7.47	11.79	12.07	11.40	10.88	11.27	4.09	5.50
Total	3,069	319	391	279	239	181	264	88	128	1,167	13
No cash wages	13	2	2				2	1	1	5	
Under $1	56	15			1					40	
$1 and under $5	1,141	224	134	51	15	10	27	6	8	661	5
$5 and under $10	1,063	71	220	150	69	51	71	23	34	369	5
$10 and under $15	512	7	31	56	78	71	98	33	56	80	2
$15 and under $20	238		3	21	58	45	53	24	24	9	
$20 and over	46		1	1	18	4	13	1	5	3	

PERCENTAGE DISTRIBUTION

Total	100.0	10.39	12.74	9.09	7.79	5.90	8.60	2.86	4.17	38.04	0.42
No cash wages	0.42	0.07	0.07				0.07	0.03	0.03	0.15	
Under $1	1.82	.48			0.03					1.31	
$1 and under $5	37.18	7.30	4.36	1.66	.49	0.33	.87	.20	.26	21.55	.16
$5 and under $10	34.64	2.31	7.17	4.89	2.25	1.66	2.31	.75	1.11	12.03	.16
$10 and under $15	16.69	.23	1.01	1.83	2.54	2.31	3.19	1.07	1.83	2.61	.07
$15 and under $20	7.75		.10	.68	1.89	1.47	1.73	.78	.78	.29	.03
$20 and over	1.50		.03	.03	.59	.13	.43	.03	.16	.10	

WOMEN

Median wages (in dollars)	4.81	2.61	5.16	7.90	12.52	12.85	12.34	8.75	7.83	2.98	(1)
Total	2 337	412	336	250	257	156	107	33	23	755	8
No cash wages	3									3	
Under $1	60	1								45	
$1 and under $5	1,148	373	159	39	11	4	6	2	2	550	2
$5 and under $10	618	24	159	139	57	36	26	18	14	140	5
$10 and under $15	369		16	56	128	93	51	7	7	12	1
$15 and under $20	125		2	14	56	21	23	5		4	
$20 and over	14			2	7	2	1	1		1	

PERCENTAGE DISTRIBUTION

Total	100.0	17.63	14.38	10.70	11.00	6.68	4.57	1.41	0.99	32.30	0.34
No cash wages	.13									.13	
Under $1	2.57	.04								1.93	
$1 and under $5	49.12	15.96	6.80	1.66	.47	.17	.26	.09	.09	23.53	.09
$5 and under $10	26.44	1.03	6.80	5.95	2.44	1.54	1.11	.77	.60	5.99	.21
$10 and under $15	17.79		.69	2.40	5.39	3.98	2.18	.30	.30	.51	.04
$15 and under $20	5.35		.09	.60	2.40	.90	.98	.21		.17	
$20 and over	.60			.09	.30	.09	.04	.04		.04	

[1] The number of cases reporting are too few to compute significant medians or percentage figures.

TABLE III.—*Weekly wages and hours of men and women on relief who are employed in private industry in jobs with tips, all industries and occupations*

MEN

Weekly wages	Total	Number whose weekly hours were—									
		Under 12	12 and under 24	24 and under 36	36 and under 42	42 and under 48	48 and under 54	54 and under 60	60 and over	Irregular and on call	Hours not reported
Median wage (in dollars)	6.22	2.50	4.29	5.89	7.63	6.25	7.67	7.30	8.88	6.30	(1)
Total	460	37	81	74	31	21	58	33	87	33	5
No cash wages	35	2	6	6		2	6	4	3	6	
Under $1	3	2				1					
$1 and under $5	126	28	43	23	2	4	7	3	5	8	3
$5 and under $10	224	5	32	42	23	12	31	17	46	14	2
$10 and under $15	61			2	5	2	9	8	31	4	
$15 and under $20	10			1	1		4	1	2	1	
$20 and over	1						1				
Wages not reported	5		2			1			2		
PERCENTAGE DISTRIBUTION											
Total	100.00	8.04	17.62	16.09	6.74	4.56	12.61	7.17	18.91	7.17	1.09
No cash wages	7.61	.43	1.31	1.31		.43	1.31	.87	.65	1.30	
Under $1	.65	.43				.22					
$1 and under $5	27.39	6.09	9.35	5.00	.43	.87	1.52	.65	1.09	1.74	.65
$5 and under $10	48.70	1.09	6.96	9.13	5.00	2.61	6.74	3.69	10.00	3.04	.44
$10 and under $15	13.26			.43	1.09	.43	1.96	1.74	6.74	.87	
$15 and under $20	2.17			.22	.22		.86	.22	.43	.22	
$20 and over	.22						.22				

WOMEN

Median wage (in dollars)	5.07	(1)	2.92	4.00	(1)	7.50	(1)	(1)	(1)	(1)	
Total	63	3	15	14	4	12	6	5	3	1	
No cash wages	7		1	3	1			1	1		
Under $1											
$1 and under $5	24	2	13	4	2	2				1	
$5 and under $10	28	1	1	7	1	8	5	3	2		
$10 and under $15	4					2	1	1			
$15 and under $20											
$20 and over											

Percentage Distribution

Total	100.00	4.76	23.81	22.22	6.35	19.04	9.53	7.94	4.76	1.59	
No cash wages	11.12		1.59	4.76	1.59			1.59	1.59		
Under $1											
$1 and under $5	38.08	3.17	20.63	6.35	3.17	3.17				1.59	
$5 and under $10	44.45	1.59	1.59	11.11	1.59	12.70	7.94	4.76	3.17		
$10 and under $15	6.35					3.17	1.59	1.59			
$15 and under $20											
$20 and over											

[1] The number of cases reporting are too few to compute significant medians or percentage figures.

TABLE IV.—*Hourly wages of men and women on relief employed in private industry in jobs with tips*

Hourly wages	Total all industries and occupations for all wage earners	Total all industries and occupations		Janitorial work in apartment, tenement, or private houses		Domestic service in private homes		Manufacturing		Trade		Hotel and restaurant		All other occupations and industries	
		Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Median (in dollars)	0.171	0.173	0.158	(1)				(1)		0.172	(1)	0.158	0.161	0.174	0.142
Total reporting	489	427	62	1				1		41	2	61	36	323	24
No cash wages	41	34	7							2		8	3	24	4
Under 5 cents	6	6								1				5	
5 and under 10 cents	46	40	6							6		6	3	28	3
10 and under 15 cents	106	91	15							8		15	9	68	6
15 and under 20 cents	111	92	19							8	2	9	14	75	3
20 and under 25 cents	73	68	5	1						5		6	2	56	3
25 and under 30 cents	40	33	7							5		7	3	21	4
30 and under 35 cents	27	26	1					1		3		4	1	18	
35 and under 40 cents	18	18								2				16	
40 and under 45 cents	8	8										2		6	
45 and under 50 cents	3	2	1											2	1
50 and under 55 cents	3	2	1									1	1	1	
55 and under 60 cents	2	2										1		1	
60 and under 65 cents	3	3								1		1		1	
65 and under 70 cents	1	1										1			
70 and under 75 cents															
75 and under 80 cents	1	1												1	
80 and under 85 cents															
85 and under 90 cents															
90 and under 95 cents															
95 and under $1															
$1 and over															
Hours not reported	39	38	1	4						4		4		26	1
PERCENTAGE DISTRIBUTION [2]															
No cash wages	8.4	8.0	11.3							4.9		13.1	8.3	7.4	16.7
Wages under 5 cents	9.6	9.4	11.3							7.3		13.1	8.3	9.0	16.7
Wages under 10 cents	19.0	18.7	21.0							22.0		23.0	16.7	17.6	29.2
Wages under 20 cents	63.4	61.6	75.8							64.0	(1)	62.3	80.6	61.9	66.7
Wages under 30 cents	86.5	85.2	95.2	(1)						85.4	(1)	83.6	94.4	85.8	95.8
Wages under 40 cents	95.7	95.6	96.8	(1)				(1)	(1)	97.6	(1)	90.2	97.2	96.3	95.8
Wages over 40 cents	4.3	4.4	3.2							2.4		9.8	2.8	3.7	4.2

[1] Number of cases reporting are too few to compute significant medians or percentage figures.

[2] Percentage distribution is based on total reporting hourly wages.

STATEMENT OF LT. COL. BREHON SOMERVELL, W. P. A. ADMINISTRATOR FOR NEW YORK CITY

Mr. JOHNSTONE. Colonel Somervell, will you take the stand? Your name is Brehon Somervell?

Colonel SOMERVELL. Yes.

Mr. JOHNSTONE. You are a member of the Corps of Army Engineers?

Colonel SOMERVELL. Yes, sir.

Mr. JOHNSTONE. Detailed to the Works Progress Administration?

Colonel SOMERVELL. Yes, sir.

Mr. JOHNSTONE. What is your business now?

Colonel SOMERVELL. I am Works Progress Administrator in New York City.

Mr. JOHNSTONE. Do you report directly to Washington, or is your organization a part of the Works Progress Administration of the State of New York?

Colonel SOMERVELL. We report direct to Washington.

Mr. JOHNSTONE. Will you tell us what your rolls are at the present day, and what pressure there is upon you, if any, to increase them?

Colonel SOMERVELL. On Monday, the total assignments were 133,838, including the administrative personnel. The project employees were 130,474. My quota is 130,000, in New York.

The CHAIRMAN. What is that figure again, the project number?

Colonel SOMERVELL. 130,474.

The CHAIRMAN. And your allotment is what?

Mr. SOMERVELL. 130,000. I will have to even that up during the month.

The CHAIRMAN. And then your administrative roll—how many?

Colonel SOMERVELL. It is 3,364.

The CHAIRMAN. All right.

Colonel SOMERVELL. That isn't entirely administrative, 1,965 administrative and 1,399 people who supervise more than one project.

Mr. JOHNSTONE. How many of this administrative personnel are taken from the relief rolls?

Colonel SOMERVELL. Yes, sir; out of 1,965 persons on the administrative rolls there are 817 taken from relief.

Mr. JOHNSTONE. What scale of wages does the Works Progress Administration pay, in New York City?

Colonel SOMERVELL. It runs from $60.50, for the unskilled, to $103.40 for the professionals.

Mr. JOHNSTONE. How many wage scales have you, four?

Colonel SOMERVELL. Yes; unskilled, intermediate, skilled, professional, and technical.

Mr. JOHNSTONE. What is the intermediate?

Colonel SOMERVELL. It is about $72; $85 for skilled and $103 for professional.

Mr. JOHNSTONE. $103?

Colonel SOMERVELL. Yes.

Mr. JOHNSTONE. Have you got the figure there of the total expenditures for the Works Progress Administration in the city of New York last year?

Colonel SOMERVELL. Yes. The total since the beginning, $479,894,781—I will find out what it was for last year. I will have to make a calculation there. It is $75,336,308.93 this fiscal year.

Mr. JOHNSTONE. This fiscal year—that is all right.

Colonel SOMERVELL. That is from July 1 on.

The CHAIRMAN. From the beginning of the operations of W. P. A.—do you furnish the figures to Mr. Hopkins?

Colonel SOMERVELL. Yes, sir; since December 1 only. They had an arrangement called an area statistical office, which used to send in statistics prior to that time.

Mr. JOHNSTONE. What kind of office?

Colonel SOMERVELL. Area statistical office, and that included a number of States in the Northeast.

Mr. JOHNSTONE. Then his figures did not come from your office; the figures that Mr. Hopkins furnishes to the Congress, to the House and Senate Appropriations Committees show some $450,000,000, approximately.

Colonel SOMERVELL. That is about right.

Mr. JOHNSTONE. And it showed contributions on the part of sponsors of $2,000,000.

Colonel SOMERVELL. Yes.

Mr. JOHNSTONE. That is your figure?

Colonel SOMERVELL. No, sir.

Mr. JOHNSTONE. What have you got?

Colonel SOMERVELL. With respect to contributions?

Mr. JOHNSTONE. Yes; on W. P. A. projects, up to December 31, the figures of Mr. Hopkins, December 31, 1936.

Colonel SOMERVELL. Up to December 31, 1937, it was $30,803,401.

Mr. JOHNSTONE. That is 1937, but how about 1936, and his figures were given to the Congress last spring, represented the condition as of the previous December 1936.

Colonel SOMERVELL. I will have to add that up, sir, if you will pardon me.

The CHAIRMAN. All right.

Colonel SOMERVELL. It is about $11,573,566 up to that date.

The CHAIRMAN. Up to that date, it was that, and the total of the Federal Government was what?

Colonel SOMERVELL. I prepared these on the fiscal-year basis, and you are asking them on the calendar year, so I will have to make a little calculation.

The CHAIRMAN. Hopkins gave them to the Congress as of the calendar year, and that is why I am asking that.

Colonel SOMERVELL. Yes.

The CHAIRMAN. Well, you can supply them for the record?

Colonel SOMERVELL. Yes, sir. It was, for the calendar year 1937, $158,838,826.

The CHAIRMAN. It was substantially $11,573,566 instead of the $2,000,000, of my recollection.

Colonel SOMERVELL. Now, let me explain that discrepancy, Senator.

The CHAIRMAN. What is it?

Colonel SOMERVELL. The figure that he gave was probably cash, and the contributions that are made in the beginning were not reported. For example, in New York City one of the most important jobs was taking out car tracks and repaving the street. Now, we went along,

took out the car tracks, and put in the base for the pavement; the city itself put in the topping, and that was not reported as a contribution, although it was a very substantial contribution to the project. So what we did, when they began to place emphasis on the sponsors' contribution, was to go back over the whole record and find out what the city had actually put into the program.

Now, that accounts for the discrepancy in the amount which they have put in. According to W. P. A. regulations, $30,803,401 has been contributed up to the end of this year.

The CHAIRMAN. Then there is no question about the figures; but since the question was raised, you have calculated what that would have been worth if you had claimed credit for that at the time.

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. And on that basis you would figure some $30,000,000.

Colonel SOMERVELL. Out of a total of $510,000,000 expenditure.

Mr. JOHNSTONE. How much of that was cash—of the $30,000,000?

Colonel SOMERVELL. There was over $6,000,000; exactly $7,162,080.

The CHAIRMAN. That could be less than 10 percent; and I still don't understand, if it was $6,000,000 cash, why your office, or whoever it was in charge of it, reported to Mr. Hopkins $2,000,000.

Colonel SOMERVELL. Of course, I don't know what figure you are talking about, Senator, so that I can't——

The CHAIRMAN. Get me that book there—the hearing before the committee.

Colonel SOMERVELL. The contributions which we have received in cash were two appropriations by the Board of Estimate of New York, one for $2,800,000 and another one for four and a half million.

The CHAIRMAN. What year?

Colonel SOMERVELL. This last year.

The CHAIRMAN. Of course, that was the explanation of it, but Mr. Hopkins didn't say that, and it is clear, what he submitted to the House, and to the Senate was, the statement that up to December 31, 1936, he was testifying, now as I recall it, last April, and the figures that he gave up to December 31, 1936, was this $2,000,000.

Colonel SOMERVELL. That was correct, then.

The CHAIRMAN. Then there isn't any use to go bothering and looking; you are giving a different date; you are including 1937.

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. That is all right.

Colonel SOMERVELL. Now, I would like to say, in fairness to New York City, what has happened with respect to these contributions. For the reasons that the mayor gave you, there was a very decided disinclination to contribute heavily to the W. P. A. program, the theory being that New York City was carrying more than its share in the form of direct relief and contributing heavily to the P. W. A. on the assumption that that was a contribution to the whole program of unemployment.

That attitude has changed to a considerable degree, and as the mayor told you, when he testified here on Monday, he has agreed during this current calendar year, which is the fiscal year for New York City, to contribute in excess of $39,000,000. Now, that con-

tribution amounts to 21.9 percent of what our total expenditures would be, if we continued on our present rate.

In addition to the contributions which the mayor is making for the city, the State of New York also puts in money, and that brings the total to slightly more than 22 percent, which is, according to my understanding, the national average for the entire country.

The CHAIRMAN. That is according to the latest figure, the average, about 22 point something.

Colonel SOMERVELL. Now, there is one other point—with your permission I would like to make. That contribution amounts to $300 per year, slightly more than $300 per man per year, or $25, a month.

Now, our wage schedule, which is fixed by Executive order, is higher than that of the wages throughout the country. If you apply this $25 to my State, for example, which is Arkansas, that would make the contribution on the part of the city over 37 percent of the total, owing to that difference in wages, so that the actual contribution, as distinguished from the proportional distribution in New York City, is extremely high.

The CHAIRMAN. Certainly; it must mean on the present basis, you wouldn't say that $2,000,000 up to December 31, $2,000,000 out of a total of $450,000,000 was extremely high?

Colonel SOMERVELL. That is history; I am talking about something else.

The CHAIRMAN. That is what I was talking about, and I am glad to know that they have got a different attitude about it, so far as you are concerned. You have no objection to a more uniform allotment of W. P. A. funds throughout the country?

Colonel SOMERVELL. Quite the contrary; and I would subscribe completely to any kind of uniform arrangements throughout the country.

The CHAIRMAN. Let me ask you, Colonel, with reference to the people who are on the rolls. Have you any information as to the number of men who remain on the rolls for any great length of time?

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. I am interested to know whether any large number of men, once they get a job on W. P. A. projects, are satisfied and do not try to get work in private industry?

Colonel SOMERVELL. Between 75 and 80 percent of our people have been on the rolls since 1935.

The CHAIRMAN. Since 1935?

Colonel SOMERVELL. Yes, sir. Now, our turn-over——

The CHAIRMAN. Between 75 and 80 percent?

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. Then, the question immediately arises, What has the Employment Service done with reference to this 75 or 80 percent? Have they tried to place them?

Colonel SOMERVELL. Well, they haven't succeeded.

The CHAIRMAN. I would judge that from your statement; but you don't know what efforts they have made to place them?

Colonel SOMERVELL. No, sir; that is a bureau which is distinct from our own.

The CHAIRMAN. One thing that occurs to me, when you put them on a W. P. A. project, is the name of that man placed with the Employment Service, as in need of a job, or is it considered that inasmuch as he is on a W. P. A. project, that he has got a job?

Colonel SOMERVELL. His name is placed with the Unemployment Service. It is filed, it is now kept in their active file, and we have made arrangements with the Unemployment Service whereby the man will not have to reregister every month. He automatically stays in there, in the active file, until he gets a job.

The CHAIRMAN. What percentage of the men on the rolls are skilled workers, do you know?

Colonel SOMERVELL. Yes, 32 percent.

The CHAIRMAN. 32 percent?

Colonel SOMERVELL. Yes.

The CHAIRMAN. Is that general, or is that New York City, do you know?

Colonel SOMERVELL. It is higher in New York City than any place in the country that I know of, except out in Seattle. Now, the reason for it is perfectly plain. In the first place, our environment is different there, the kind of work that we can do is limited by the physical development of New York City, and we can't build farm-to-market roads on Manhattan Island and we can't dig ditches and we can't do a lot of things which the W. P. A. can do around the country which require a very high percentage of unskilled labor.

That is the first thing.

The second thing, if you will examine the census for New York City, the normal census, without regard to the W. P. A., you will find that there is a very high percentage of skilled persons in New York City as distinguished from the number that you will find in the country as a whole.

The CHAIRMAN. I think that that latter statement must be correct, because throughout the country, as a general thing, certainly in the early part of 1937, there was a shortage of skilled workers, in many communities, and a great surplus of unskilled labor.

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. Your situation is somewhat different.

Colonel SOMERVELL. Yes, sir.

Senator LODGE. We have heard a lot said, and you probably have too, about the difficulty of getting on W. P. A., and off it, and then back on again.

Colonel SOMERVELL. Yes, sir.

Senator LODGE. And that that operates as a deterrent to a man taking a job opportunity when it presents itself to him.

Do you know what I mean?

Colonel SOMERVELL. Exactly.

Senator LODGE. Can you say anything about that or give us any suggestions about that?

Colonel SOMERVELL. I will tell you what our system is, Senator. A man has been employed by the W. P. A., he leaves for private employment, and he comes back and applies for reemployment. We take him back on that day, the day that he applies.

Now, a man has to be in current need and, during the first month of his reemployment, he is investigated by the home relief bureau. If he is found not to be in current need, he is discharged, and if he is found to be in current need, he is continued in W. P. A. employment, so that the time lost between the time that a man applies for a job with the W. P. A. after private employment and the time that he is actually assigned to work, is 24 hours.

Senator LODGE. Does he retain his standing, is his standing as good as it was before he left?

Colonel SOMERVELL. His standing is as good as it was when he left. That doesn't apply to supervisory people, of course.

Senator LODGE. Oh, no. I am not talking about that.

The CHAIRMAN. If he got out and got a job, if anything, it ought to be a little better, and if he went out on his own.

Colonel SOMERVELL. Yes, sir.

The CHAIRMAN. Have you been able to make any check as to whether the man on W. P. A. projects, the men go out and get jobs elsewhere to supplement their income?

Colonel SOMERVELL. I tried to do that, sir, and I tried to get access to the social-security records. I was denied access to them. We have made one or two checks independently of those records, but owing to the cost we couldn't go very far with it.

The CHAIRMAN. I didn't know whether you had, that is all.

Colonel SOMERVELL. I think that a group of people representing this committee have recently made one, and I think that it shows about 65 percent of the people, of the skilled mechanics, have some kind of outside income.

Now, most of that outside income is a very small amount that nobody would want to do anything about.

The CHAIRMAN. I just thought that you had some information.

Colonel SOMERVELL. Nothing to supplement what you already have.

Senator LODGE. You understand that 65 percent of the skilled workers on W. P A. in New York City have some other kind of work?

Colonel SOMERVELL. Yes, sir.

Senator LODGE. That is extraordinary.

Colonel SOMERVELL. Suppose that it is $50 a year, Senator; what are you going to do about that?

Senator LODGE. We were told the other day by the mayor of New York that there were 103,000 employables not on W. P. A., and 149,000——

Colonel SOMERVELL. One hundred and three thousand who were not on W. P. A.

Senator LODGE. And how many who were on?

Colonel SOMERVELL. About 130,000, and to that you have to add about 7,000 people on Federal projects which are not under my jurisdiction.

Senator LODGE. What is the difference between the 103,000 who are off and the 130,000 that are on, from the standpoint of their resources? Are the 103,000 definitely better off than the others?

Colonel SOMERVELL. No.

Senator LODGE. How do you choose; because they are all certified; they are all eligible?

Colonel SOMERVELL. That is right. We are allowed to employ a certain number of people, which is fixed by the resources of the W. P. A. They began with a certain quota—I don't know what it was; 220,000, to the best of my recollection—and they increased that to about 248,000, and since that time it has been gradually dropping back, until now it is 130,000.

So that of the people that we have, there is a high percentage of people who have been on the rolls since 1935, and obviously we can take from the home relief bureau, only persons to fill the vacancies

which are created by the men leaving our rolls. That number of people now amounts to about 4,000 per month.

So that the people that we can take out of this 103,000 with a fixed quota, will be only about 4,000 a month, and the people that we do take are subjected to exactly the same criteria as to need as those that we have on our rolls.

Senator LODGE. But everybody doesn't get his turn?

Colonel SOMERVELL. That is right.

Senator LODGE. You mean—you understand my last question—everybody does not get their turn at being on W. P. A.

Colonel SOMERVELL. That is right. I understand you perfectly.

Senator LODGE. And there are certain people who have been on for the 3 years, and stay right on all of the time?

Colonel SOMERVELL. Yes, sir.

Senator LODGE. And there are others who are just as much in need of it who never get on?

Colonel SOMERVELL. That is right.

Senator LODGE. Do you think that that is a good personnel policy or would you suggest changing that in any way?

Colonel SOMERVELL. Yes, I would suggest a change, and it has been approved by Mr. Hopkins, which is to rotate the people that we have with the people on home relief. Now, that is of limited application; in other words, we can't take people from home relief tomorrow and assign them to an educational project, where teachers have been working all of this term.

Senator LODGE. You have to take in the question of aptitude?

Colonel SOMERVELL. That is right. Now, there is another thing, that militates against that, and that is, some of the people are needed to carry on the work, and furnish continuity to it, and we can't knock those off. We may need some particular skill. If we are building a building we have to have tinsmiths, there are no tinsmiths on the home relief. Although we could knock off our tinsmiths and take the same number of people, it wouldn't be a wise thing to do, at that particular juncture.

The CHAIRMAN. When are you putting this change into effect?

Colonel SOMERVELL. I expect to put it into effect just as soon as I can find out what the results of this recession are going to be in the spring when there should be a great many more jobs available.

The CHAIRMAN. I have no doubt about the wisdom of it, it is unjust, and then a man stays from 1935, continuously, it is very natural—or he will soon regard it as a permanent job for the Government to employ him on a project, and here is another man over here on the roll, eligible, and he can't get a job.

Mr. JOHNSTONE. Have you any comment to make on the percentage of the 103,000 employable people on the work—on the home relief rolls, that would be eligible under your current rules for employment on the Works Progress Administration?

Colonel SOMERVELL. Yes; that 103,000 people includes about 20,000 people who are ineligible for employment on the W. P. A. for the reason that they are aliens, or for the reason that they have been discharged from the W. P. A. for cause, and hence are not subject to reinstatement.

If that number be subtracted, it leaves us roughly about 80,000.

Then there are some 4,500 persons, included in that number, who have limited employment, by reason of physical handicap, and we can take some of those, but not all.

Now, as Mr. Hodson explained to you, included in this number are perhaps people in some families, numbering as many as 2 or 3 or 4.

With the average number in families represented by that 78,000 of one and one-half employables, therefore, those eligible are roughly about two-thirds of that number, so that the number that we could actually employ would be about half of the total number rated as employables.

Mr. JOHNSTONE. Under your current rules?

Colonel SOMERVELL. Yes.

Senator LODGE. Let me get that again, because a quarter of them being disqualified for the reason of being aliens?

Colonel SOMERVELL. That is about a fifth, and 4,500 physically handicapped, and consequently can only be employed to a limited extent, take about half of those.

Senator LODGE. Yet they are classified as employables?

Colonel SOMERVELL. They are employable, but they are not employable on all trades, and in other words, you can't put a fellow on with a broken leg, in a sewer.

Then that leaves us about 78,000 and in that number we find that about one and a half employables per family, so that you have to take two-thirds of that 78,000 as the number of people which we could actually take.

Mr. JOHNSTONE. Which would mean of the 103,000 according to your view, approximately 50,000 employable persons on home relief today, in New York City, would be eligible for employment on the Works Progress Administration.

Colonel SOMERVELL. Under our present rules; yes, sir.

Senator LODGE. Have you a sufficiency of W. P. A. projects to take care of an increase of unemployment in New York City that you could put into operation?

Colonel SOMERVELL. Oh, yes, and if we haven't them we could devise them promptly enough.

Senator LODGE. That is all. Thank you.

Have you any further questions?

The CHAIRMAN. No.

Mr. JOHNSTONE. Mr. David Adie, take the stand.

STATEMENT OF DAVID C. ADIE, COMMISSIONER, DEPARTMENT OF SOCIAL WELFARE, STATE OF NEW YORK

Mr. JOHNSTONE. You are the Commissioner of Social Welfare of the State of New York?

Mr. ADIE. Yes, sir.

Mr. JOHNSTONE. As such, you are the chief executive officer of that organization?

Mr. ADIE. I am.

Mr. JOHNSTONE. What activities do you direct?

Mr. ADIE. I should like to say for the benefit of the committee, that the State Department of Social Welfare has undergone a reorganization which sets forth a coordinated welfare activity for the

entire State, in which the locals administer the program, and the State is in a very close supervisory relationship.

That supervisory relationship extends to the personnel, to the fiscal relationships, Federal, State, and local, and to the general administration of categories of relief, the supervision of institutions, and care of the Indians, and the 100 percent care, of what we call the unsettled cases in the State, that is, persons living in the State who have settlement outside the State. It is a rounded-out, coordinated program that carries forward not only the relief program of the State, but the entire social welfare program, including five institutions.

The philosophy of the department bears very definitely on insisting on local administration, on local responsibility for administration within the law, as established by the legislature, and these laws having been coordinated with the Federal security bill, and the rules and regulations established by the department.

These rules are established by a board of 15 persons, who are appointed by the Governor with overlapping terms, each serving for 5 years, and they have the substance of law, in the administration of relief and welfare activities in the State.

Mr. JOHNSTONE. Mr. Hodson spoke of an expenditure of $105,000,000 in 1937, I think, for various types of relief in the city of New York. What part of that sum of money was contributed to the city of New York by the State?

Mr. ADIE. I haven't got with me, Mr. Counsel, the figures that cover the entire year, but I have the definite figures for November and December of this year, of last year rather, and home relief, in the State of New York in November had 268,169 families on relief, and in December they had 304,711 on relief. The total expenditure in November was $12,352,155 and in December $13,383,523.

Comparing these figures with the city then, in November 186,000 of the 268,000 were in the city of New York, and in December 201,304 were in the city of New York.

The city expended in home relief $9,443,000 of the $12,352,000 in November, and $9,671,000 of the $13,390,000 in December.

The balance of the State—would you like these figures?

Of the 268,000 families on relief, 82,000 were up-State—we use the term "up-State" to mean everything outside of the city of New York—of the 304,000 of December, 103,000 were up-State.

Of the $12,300,000 spent for relief in November, $2,900,000 was spent up-State, and of the $13,000 in December, $3,700,000 was spent up-State.

That is home relief.

In old-age assistance, in November we had 101,900, and in December 103,100. Of that number, 47,360 were in New York City, and 47,800 in December in New York City.

Up-State there were 54,600 in November, and 55,300 in December.

The relief allowance in November, in old age, were $2,300,000 in November, and $2,370,000 in December.

Of that amount the city spent $1,250,000 in November, and $1,260,000 in December.

Up-State spent $1,082,000 in November, and $1,100,000 in December.

Now, the difference here, if I may say so, Mr. Counsel, is this: Of those amounts that I am assigning to the city in home relief, 40 percent was paid by the State and 60 percent by the city.

In old-age assistance, however, 75 percent is paid by the State and 25 percent by the city.

In the care of dependent children, the State pays about 16⅔ percent, and the Federal Government 27 percent, and the balance from the city.

In the case of the blind, it is the same as in the aged, 75 percent from the State and Federal and 25 percent by the local.

I should like to say that the figures in the State, as a whole over the past year, total relief cases in the State, have gone up from 290,000 in January to 304,000 in December.

The committee has been seeking some information as to the relation of supplementation, on the part of the public welfare authorities of the State, to W. P. A., and I can supply those figures to the committee.

For instance, if we go to January of 1937, where $11,983,000 was spent for relief of the entire State, of that amount $448,300 was spent in supplemental relief, to W. P. A. cases.

In New York City that amounted to $201,000, and up-State, $246,000, and the number of cases in the State amounted in January to 18,120, of which there were 7,467 in New York City, and 10,653 up-State.

I simply give January as a sample.

The committee also asked Mr. Hodson if he knew the relationship of supplementation to private industry. I cannot give figures that are authoritative but I can cite one figure that may be indicative, sir. In the city of Rochester, where we recently made a study of those on relief, who were in a supplemental case, we found that of that class more than 50 percent, I think it was somewhere in the neighborhood of 57 percent of them, were in private industry, and about 43 percent were in the W. P. A. set-up, which was rather surprising for us in that one study. One swallow doesn't make a summer, but that is an indication of what is happening in Rochester, which is a very broad industrial base city.

The CHAIRMAN. Do you think that it would be a fairly good index to what is going on in the other cities of the up-State?

Mr. ADIE. Well, as I say, of Rochester, it is a broadly based city, that has a greater—or a larger proportion, I should say, of skilled labor, and semiskilled labor, than most cities outside of New York City.

New York City is also a peculiar place, and so therefore I should think that chances are that it is a relatively good figure for the State, as a general picture.

Mr. JOHNSTONE. Would you and Mr. Hodson, could you collaborate in preparation for the committee, a statement of the entire expenditures by the city of New York, and of that sum, what is furnished by the city, and what by the State, and what by the Federal Government, for all of these categories?

Mr. ADIE. We have these figures in the Department. I didn't think that you would ask for them, but we have them already gathered.

Mr. JOHNSTONE. Would you file them for 1937?

Mr. ADIE. We can go back to 1932 with those figures.

Mr. JOHNSTONE. It would be very interesting if you would.

Mr. ADIE. Yes, sir.

Mr. JOHNSTONE. Mr. Adie, will you tell us something about the unemployment compensation, that has started in the city of New York, the total application for benefits, and what has been done to pay them, and the administrative difficulties that you are meeting, and what not?

Mr. ADIE. I should like to first take the question of the applications and so forth, and then tell the committee, if it chooses, a little about how we are trying to integrate the administration of relief and unemployment insurance.

We estimate that 800,000 persons will apply for unemployment insurance benefits in the State of New York between January 1 and June 30, 1938.

Mr. JOHNSTONE. How many?

Mr. ADIE. 800,000. These figures come from the commissioner of labor himself, so that they are rather accurate, and I think that they should be recognized as relatively accurate.

Of this number, he expects 410,000 will receive benefit checks, a total of which will run between $26,000,000 and $29,000,000.

These are projected against a pay roll, in the State, the number of employees of the State, determined by the submission of pay rolls, of about 3,200,000 persons, who are covered by the act.

Mr. JOHNSTONE. What is the amount that you estimate?

Mr. ADIE. We estimate that 800,000 of those will apply for benefit, in the next 6 months.

Mr. JOHNSTONE. 400,000, you say, would receive——

Mr. ADIE. 410,000 will receive benefits. The difference is that either they won't have acquired benefits in the fund, or else they haven't been necessarily employed long enough to be credited to the fund.

Mr. JOHNSTONE. But the amount that you estimate that will be paid?

Mr. ADIE. $26,000,000 to $29,000,000 will be paid, we expect, in those 6 months by unemployment benefits and the average being from $8 to $10 a week, as the benefit.

Mr. JOHNSTONE. That is an additional amount that will be disbursed?

Mr. ADIE. Yes, sir.

Mr. JOHNSTONE. To those who are out of employment, in addition to all of the other disbursements of W. P. A., and your home relief, and at least to that extent, it ought to lessen the demands upon the relief organization, shouldn't it?

Mr. ADIE. I am not very optimistic about that.

Mr. JOHNSTONE. You don't think that it will make any difference?

Mr. ADIE. Yes; it will make a difference; it will make a difference in the sense, in my judgment, that unemployment insurance is a backlog against want, but that it will definitely affect the actual situation perceptibly, in the beginning, is not conviction on my part. I think that you will realize——

Mr. JOHNSTONE. It just means an increased amount for relief, and it will not lessen in any way the demands upon the established organization, for relief.

Mr. ADIE. I think that it will lessen it but not perceptibly, sir.

Mr. JOHNSTONE. It ought to lessen it to the extent of $30,000,000?

Mr. ADIE. Oh, no, sir, because——

Mr. JOHNSTONE. I suppose that quite a large number of those who will receive benefits are not in the needy class.

Mr. ADIE. Yes; and I think that we are still at the place of recognizing that a very substantial number of our people who are on relief, who are unemployed today, are not on relief, and have not been on relief.

Mr. JOHNSTONE. That of course would affect the amount.

Mr. ADIE. It will affect the amount but we are not projecting it necessarily, in our State, in the beginning. As it goes along, I think that it will catch up, and have greater significance, but whether enough people in this period of shift, or industrial shift, have acquired the rights of benefit, is very doubtful.

If you will notice that of the 800,000 people applying, the commissioner only projects 400,000, I think that you will see the beneficiaries, in other words, haven't during the period of the existence of the law, yet, established a reserve in the fund which will benefit them.

Now, you may be interested to know that we are projecting the same amounts in the Governor's budget during the fiscal year 1938–39 for home relief as he did in the present fiscal year; a total of home relief as projected in the budget, for home relief in the State of New York, of $61,600,000 for the State's share, and $77,890,000 for the local shares.

The total relief budget of all categories in the State will be in the neighborhood of $200,000,000, of which the Federal Government will give us $22,000,000 and the State will supply about $85,000,000 and the locals will supply about $97,000,000; and I think that you will recognize, sir, here that in the State of New York there is a very real proportion of the care of the dependency resting upon the locality itself, contrary to our general practice throughout the Nation.

That is a very strong policy on the part of the Governor.

Senator LODGE. How many forms of public assistance do you have?

Mr. ADIE. Five forms of public assistance in the State—general relief, veteran relief, old-age assistance, assistance for the blind, and aid to dependent children.

Now, there is another distinctive form of relief which is very insignificant, which is our Indian relief, because, as you know, the State of New York, differing from other States, takes the total responsibility for the Indian as to relief and service.

The CHAIRMAN. What is your total amount for all relief purposes in 1937—higher than 1936?

Mr. ADIE. No; it was less.

The CHAIRMAN. How much less?

Mr. ADIE. My mind isn't quite accurate on that, but it was some five or six million less in the home-relief field alone, and, of course, it was not significantly less in the other categories, particularly in the category of the aged, because at that time our law rested at 70, and then when the Federal enactment was made it was reduced to 65. The net result, however, of reducing the age from 70 to 65 was to project an increase of 85 percent on the case loads in that one category.

Senator LODGE. What percentage of the population of New York State is receiving some kind of public assistance—and when I say that I include W. P. A.?

Mr. ADIE. Well, if we consider, let us say, that the average family is about three-point-something, and viewing the different categories of relief in the State today, I believe it is a conservative statement to say that there are about 1,200,000 persons on public assistance today, outside of institutions.

Senator LODGE. That is all sorts of assistance, State and Federal and local?

Mr. ADIE. That is not including W. P. A.

Senator LODGE. What is the population of the State?

Mr. ADIE. Thirteen million.

Senator LODGE. That does not include W. P. A.?

Mr. ADIE. No.

Senator LODGE. If you include W. P. A., what would it be?

Mr. ADIE. Well, I couldn't answer that.

Senator LODGE. That is about 10 percent, isn't it?

Mr. ADIE. No; it is closer to 6 percent, sir. Or I might say 8 percent.

Senator LODGE. In Massachusetts there are 15 percent of the people receiving some form of public assistance, as I understand it.

Mr. ADIE. It would be, if you include the W. P. A. figures, we certainly would——

The CHAIRMAN. If you include the W. P. A., and you have even 12 percent, and 1937 was regarded as a good year, is it, the first of 1937, the first part, certainly——

Mr. ADIE. The change has come to us in the State, in the last quarter of the year, and some of the smaller cities of the State the relief rolls have gone up 300 percent.

Take a city like Schenectady, for instance, which is a fairly typical city in the State of New York, in the last month the increase in Schenectady's cases was 22 percent, which produced a 61 percent increase in expenditure, and the difference of that lies in the fact that some of the part-time employment became whole-time employment, besides the fact that we had a winter snap, and we had additional coal and clothing.

The CHAIRMAN. That really began in November, did it not?

Mr. ADIE. It began early—well, earlier than that—it began to show itself about September.

Mr. JOHNSTONE. How long is it going to take people to make application for unemployment compensation, in New York State, to get a check?

Mr. ADIE. The estimate that was made by that committee, was that the checks would be forthcoming not in the total, they can't cover that total load, somewhere, I think they said, in about 10 days, that was the average that they were projecting.

I don't know whether your committee would like to know a little about what we are trying to do to coordinate these two services, but we have begun to thing this thing through a little, and we have in the State 124 employment offices, which we are correlating with our various local public-welfare offices, by districts. When a notification is sent them, that he has applied for benefits, a copy of that notification will be held in each of the 124 offices that he is geographically attached to. These will then be sent to the local officials in that area, local public-welfare officials, and we will get the first check, the check against our own rolls, and then we shall proceed to ask that recipient or presumptive recipient of unemployment benefits, as to the

degree of his unemployment benefits, and we shall judge that as a resource, so that we would then be in a position to either supplement or if it were possible to think of it, to deny relief, although I think that there will be very little of that, because of the amount of the compensation.

We shall then get, if the man is employed again, a notification again through those 120 offices, of the fact that the man has been employed and that will again be distributed to the local public-welfare officials to check against the relief rolls.

We recognize that this is a very tenuous beginning, and what we need to do is get some substantial check against existing pay rolls throughout the State. But that is not only impossible but would be exceedingly costly, and we believe that to establish such a roll would cost the administration half a million dollars a year.

The CHAIRMAN. You mean the entire pay roll of the State?

Mr. ADIE. Yes, sir.

The CHAIRMAN. That would certainly be very costly, and also to keep it current.

Mr. ADIE. And then it would be 3 months behind all of the time, because of the rolls coming in.

Mr. JOHNSTONE. Mr. Aide, have you any opinion about the percentage of home-relief cases in the State of New York that have in them an employable person eligible for employment on W. P. A.?

Mr. ADIE. I do not have any exact figure, but at the present moment the department believes that it runs about 1.2 percent. That is in the families.

Mr. JOHNSTONE. That is every family, there is 1.2 percent employable persons?

Mr. ADIE. That is the average, that is not percentage, that is people. That is not to include a whole family grouping, of course.

Mr. JOHNSTONE. I understand. Have you any opinion as to the percentage of families in the State of New York now on home relief in which there is an employable person eligible for employment, on W. P. A. rolls, as presently enforced?

Mr. ADIE. No; that is the catch. You see, the basic difficulty as I see it between the two sources of administration, lies in the inability to agree as to what employability is. I don't know the detailed rules of the W. P. A., but my recollection in watching it go by is that employability in the W. P. A. relates itself to the particular type of project that in the meantime is in vogue. Whereas, as we view employability, it is the ability of a person to go out and sell their manpower. It may not be in the definite line of skill that they have acquired but they can adjust themselves to employment.

In other words, when you get this really vital difference in the definition of employability, I think that any figure that you choose to build is a fictitious figure.

Mr. JOHNSTONE. Well, the point that I was getting at was this: The outstanding rule of the W. P. A. is the employment of one person per family.

Mr. ADIE. Yes, sir.

Mr. JOHNSTONE. You say that there are 1.2 persons in the average family that are, according to your view, employable?

Mr. ADIE. That is our opinion. I don't know that there is any factual basis for it.

Mr. JOHNSTONE. You say, according to your view of employment, let me ask you, to give employment to every employable person in home-relief families?

Mr. ADIE. In the State of New York, on the present roll, how many jobs would be required?

Mr. JOHNSTONE. Yes.

Mr. ADIE. I don't think that that question is subject to answer, because I disagree with the assumption that W. P. A. can provide employment to the total unemployed population of this country.

I think that if you are going to see this thing you must come to the place that Mr. Hodson brought the committee to already when he said that you must see it as a whole. If you are going to see it as a whole, sir, it seems to me that you must develop new relationships, on Federal and State levels, so that there may be a more realistic administration within the State, and I very strongly believe that there should be a decentralization of this program, at least to the point of funds, whereby the States would get on a break-down, on a matching basis, not necessarily 50–50, certainly not 50–50, but a matching basis, equally over the country, and allow the States themselves to administer those funds in relation to their problem, so that you could have a work program, and a basic general relief program.

Senator LODGE. Subject to certain Federal standards?

Mr. ADIE. Subject to all of the Federal supervision, sir, that would be applied, and I say that because I am very conscious in my own experience, that, say what you will, the basic need for any welfare structure is a strong general-relief program, that if you project it on categories, you do not meet your basic problem, it is not elastic enough in its categories, whether it is a work category, and an age category, or a social category.

If we had the power to do two things in this situation, to build jobs, which is the fundamental need, the real establishment of employment programs that went through the economic order, on a contractual basis, more general than it is today, and thereby strengthen the economic order, and then supplemented that with a very strong budgeted system of home relief, which would have a reality to the needs of people, we would have a base on which you then could build your categories, and so much so, do I believe that, that in the State of New York we have taken the whole public assistance program, and related it and coordinated it, from a standpoint of supervision, and actual administration, and there is a very close relationship between those things, administratively.

The CHAIRMAN. Would you provide that any percentage of the allotment to a State should be spent for work relief or leave that determination entirely to the State officials?

Mr. ADIE. Working within the supervision of the Federal Government, I believe that the greatest elasticity ought to be allowed to the State administrations, because the economy of the States are so varied, and you cannot face the problems of New York State in the same way that you can the problems in a community that is more distinctly agricultural in its economy than our State is, and with the supervision on a high plane, I believe that the elasticity would be in existence whereby we could meet the peculiarities of our problem more directly than we are now doing today, sir.

The CHAIRMAN. Are there any further questions? Then I think that that is all. Thank you.

STATEMENT OF LESTER W. HERZOG, W. P. A. ADMINISTRATOR FOR THE STATE OF NEW YORK

Mr. JOHNSTONE. Mr. Herzog, you are the Work Progress Administrator for the State of New York, as distinguished from New York City?

Mr. HERZOG. Yes.

Mr. JOHNSTONE. What is the total number of people that you now have at work, on the Works Progress Administration, in up-State New York?

Mr. HERZOG. As of last Wednesday, we had 50,756, and since that time, there may be an increase of about 1,000 or 2,000.

Mr. JOHNSTONE. Have you the figures of the total expenditure, in up-State New York, for the year 1937?

Mr. HERZOG. By the Works Progress Administration?

Mr. JOHNSTONE. Yes.

Mr. HERZOG. I have, with December estimated, because we don't have the exact figure. It is $53,034,679.

Mr. JOHNSTONE. Do you have the statement of the total sponsors' contributions to projects, in up-State New York?

Mr. HERZOG. No; I do not have that with me. However, I can file it for the committee. My office promised to send it to me last night, and it didn't reach my hotel this morning.

Mr. JOHNSTONE. Have you any idea about the percentage?

Mr. HERZOG. Approximately about 30 percent, but I would prefer to put that in the record exactly when we get it. [Witness subsequently corrected this to 25.15 percent. See statement at end of testimony.]

Mr. JOHNSTONE. Has your quota been going up or down in your State, in up-State New York, in the Works Prograss Administration?

Mr. HERZOG. You mean by our quota, our number of employed?

Mr. JOHNSTONE. Yes.

Mr. HERZOG. It has been going down.

Mr. JOHNSTONE. Going down?

Mr. HERZOG. Yes.

Mr. JOHNSTONE. Is it going up now?

Mr. HERZOG. It will go up now, provided we have projects to employ the people on, yes.

Mr. JOHNSTONE. Have you projects on which you can employ people?

Mr. HERZOG. We have projects, but we are not permitted to operate them in certain cities.

Mr. JOHNSTONE. Why?

Mr. HERZOG. Well, in Buffalo, they have no funds, or very little funds, but we believe that we have worked out a program for them so that within the next 30 days we can take their people, and Syracuse will not permit us to operate certain projects, and we have been laying people off.

The CHAIRMAN. Why—what is the trouble in Syracuse?

Mr. HERZOG. The mayor says that it is cheaper to keep them on home relief than it is to put them on work relief. However, we have the figures for Syracuse, and it happens that in Syracuse, it costs about $7.31 to keep a person on W. P. A. and it costs $32.92 to keep them on home relief, of which the city pays 60 percent, and the State 40 percent.

Now, the reason for that low city expenditure on W. P. A. is due to the fact that Syracuse has a large number of persons working on what we call county projects, for which the county is putting up the money and the city of Syracuse does not put up the funds.

The CHAIRMAN. What does it cost?

Mr. HERZOG. Seven dollars and thirty-one cents.

The CHAIRMAN. How do you get at that figure?

Mr. HERZOG. By the sponsor's contribution.

Mr. JOHNSTONE. You mean other than labor costs?

Mr. HERZOG. Some labor is included in that. We credited the city with what they claim to have put into the program, and that is not all cash. Some of it may be labor of regular department employees, who spend a certain amount of time on W. P. A. work.

The CHAIRMAN. I admit that I don't understand, and, of course, Mr. Somervell, from New York City, gave us the figures that in accordance with my recollection, that the lowest amount paid was $50, I think, for common labor, and then the semiskilled about $70, and then higher, and how in the world you say the cost is $7 a month.

Mr. HERZOG. I am talking about the sponsors' contributions.

The CHAIRMAN. You mean that that is what they put up?

Mr. HERZOG. Oh, yes.

The CHAIRMAN. I am not surprised at that, and they are not going to put it up unless they have to.

Mr. HERZOG. But that does not include the county; in the county it is much higher.

The CHAIRMAN. So far, what about the cost to the Federal Government of W. P. A.?

Mr. HERZOG. It costs the Federal Government there——

The CHAIRMAN. In up-State as compared with New York City, is there a difference?

Mr. HERZOG. There is a small difference. The common labor rate is the same in the large cities, but we have a rate down as low as $44 in certain counties.

The CHAIRMAN. In smaller towns?

Mr. HERZOG. No; in counties where there are smaller cities.

The CHAIRMAN. That is for common labor?

Mr. HERZOG. Yes; and our highest rate for professional and technical is $94, as we did not grant the 10-percent increase on this classification.

Mr. JOHNSTONE. You mean in certain counties and States there is some conflict between the county and State authorities and the W. P. A. which makes it difficult to put projects into operation. Is that what you mean to say?

Mr. HERZOG. Yes; except in Syracuse, there isn't any conflict between the city and the county.

Mr. JOHNSTONE. Do you mean in Syracuse the city authorities figure that it is cheaper for them to feed people on home relief than it is to contribute to W. P. A. projects?

Mr. HERZOG. I wouldn't want to say that, Mr. Counsel; I simply say that they say so, but I don't think that they believe so.

The CHAIRMAN. And they only contributed $7?

Mr. HERZOG. $7.31 in the month of December.

The CHAIRMAN. And you say the home relief, according to your figures, is much higher?

Mr. HERZOG. Home relief is $32.92, of which they pay 60 percent, plus the administration cost.

The CHAIRMAN. What kind of projects were they that Syracuse was contributing only $7 to?

Mr. HERZOG. The reason that that small amount was paid there is a very large sewer job, which is in the county and runs alongside Syracuse. That employed thousands of men, and it didn't cost the city of Syracuse anything, because the county put up most of the contribution.

The CHAIRMAN. I see. It did help their unemployment situation?

Mr. HERZOG. Yes; it helped their unemployment situation tremendously; and now in Buffalo it cost, in December, $12.29, and in November it cost approximately $17, but Buffalo at one time was around $5, and under $5, due to the very large number of men employed, and as the men became less the percentage increased.

Mr. JOHNSTONE. Have you got your quota full in up-State New York?

Mr. HERZOG. No.

Mr. JOHNSTONE. What is your quota?

Mr. HERZOG. Seventy-five thousand.

Mr. JOHNSTONE. Of which, how many were at work?

Mr. HERZOG. At the last report it was 50,756.

Mr. JOHNSTONE. Why isn't the quota full?

Mr. HERZOG. Well, because we can't get them.

The CHAIRMAN. Then, you mean that you just can't get them; you go out and try to get them?

Mr. HERZOG. Oh, yes. Now, may I explain?

The CHAIRMAN. Yes; if you will explain that to me.

Mr. HERZOG. May I explain our procedure? We make regular surveys of the employable people on relief and we contact the welfare commissioners, direct. We ask them to report to us the number of employable people separately for each town, by men with families, women with families, men without any dependents, and women without any dependents, by six different age groups, and by their various skills, skilled workers in the various trades, professional workers, unskilled workers, and so forth. Then when we get those figures we make a survey of where we can employ those people on available projects, and we immediately requisition every single one of those persons for whom we have projects available.

Now, the last survey—there is a survey being made at the present time—but the last survey was November 10, and that showed a total of 13,407 persons whom we considered were probably employable by W. P. A. However, we only had projects available for 7,012 of those persons, whom we requisitioned along about December 20. Up to the present time we have only received 2,467 certifications.

Mr. JOHNSTONE. What is the reason for that?

Mr. HERZOG. When we start to requisition people we go to the welfare bureau and we look over their cases and we find usually that

they have been very optimistic in reporting their cases and they have reported people whom they think are going to apply later on, and they report aliens and physically disabled persons and persons unemployable for other reasons, and so when we check their records we find a certain number that we cannot accept.

Mr. JOHNSTONE. You mean that they report people whom they think will apply later on and they don't wait for them to apply.

Mr. HERZOG. Yes; whom they think are going to apply; and many of the welfare officers will. Apparently they have an idea that the figure that they give us we base a quota for that particular section on, and now in our last report we have told them that that has no effect on their quota whatever, and their quota is the number of unemployed people that they have whom we can employ.

The CHAIRMAN. As a matter of fact, the policy has been followed throughout the country of making the allotment based upon the number on the rolls, isn't it? That is what we have been told.

Mr. HERZOG. On the home-relief rolls, but not the ones that you think might apply a month or two from now.

The CHAIRMAN. I never heard of that before; that beats me.

Mr. HERZOG. Please understand, that I am not critical of the welfare officers, because I happen to handle public relief in Albany myself, and we have the same discrepancy in my own department, which we have in the other departments throughout the State.

The CHAIRMAN. But you haven't been putting people on just in anticipation of their asking, sometime in the future?

Mr. HERZOG. We investigate every case that we put on ourselves.

The CHAIRMAN. I thought that you didn't investigate them until somebody applied, first, that that was what started the party?

Mr. HERZOG. No; we investigate.

The CHAIRMAN. A man would apply for relief and state his case, and then you investigate to see whether or not he was in need?

Mr. HERZOG. You are talking about the welfare department, I am talking about W. P. A.; W. P. A. investigates these people also.

The CHAIRMAN. But I am talking about that welfare organization.

Mr. HERZOG. They do not investigate anybody, until they apply. However, in a small country town, they think that they are going to have a lot of applications, very often.

Mr. JOHNSTONE. What you mean, is that you have the impression that certain of the welfare officers in up-State New York, base their number available for W. P. A. employment, upon the number who are unemployed in the city, instead of upon the number of unemployed who have actually applied for relief; is that right?

Mr. HERZOG. That is right. Now, remember, that is a report to us; that is not an official report.

Mr. JOHNSTONE. Out of the number certified to you by the welfare officers of the State of New York, as employable, what has been your experience of the percentage of that number that you actually find eligible for W. P. A. employment?

Mr. HERZOG. About 53 percent.

Mr. JOHNSTONE. 53 percent?

Mr. HERZOG. Yes, sir.

Mr. JOHNSTONE. Is that due to a difference in definition of employability, between the W. P. A. and the welfare offices?

Mr. HERZOG. In some instances, yes. The welfare offices will report persons who we believe, if they were put on one of our jobs, might become permanently disabled, and now they can do some work but they can't do the type of work that is available in that particular community.

Mr. JOHNSTONE. Is that due to any extent to the availability or not of projects on which these people can be employed?

Mr. HERZOG. Well, you must understand, Mr. Counsel, that the projects that we have are in the main laboring projects; that is, in the smaller communities.

Now, we are different from New York City, and we have a tremendous territory, and we also have thousands of persons employable, and on relief, scattered throughout the various towns where you couldn't have a project, just 2 or 3 or 4 or 5 or 6, where you couldn't make a project and we can't employ because they are 30 or 40 miles away from the nearest project.

Mr. JOHNSTONE. That is due to the difficulty of integrating employment and need into projects in isolated communities?

Mr. HERZOG. Yes.

The CHAIRMAN. Have you noticed the disposition on the part of the employers, in the last year or so, to more quickly dismiss employees simply because they believe that the Government will take care of them, instead of carrying them on the pay roll, as they have done in the past, rather than immediately discharging them?

Mr. HERZOG. I do not believe, personally, that that is true in up-State New York.

The CHAIRMAN. You haven't seen that?

Mr. HERZOG. I have seen no indication of it.

The CHAIRMAN. In some places throughout the country I have been told that there is a disposition that, where an employer formerly, with the recession in business, would keep his men on, hoping that there would be a change, that now they feel more at liberty to dismiss the employee, believing that he will be taken care of by relief. But you haven't noticed that?

Mr. HERZOG. I haven't seen any of that in upper New York State.

The CHAIRMAN. The committee will take a recess until 2 o'clock.

(Subsequently Mr. Herzog forwarded the following information for the record:)

As requested I enclose the amount of sponsors' contributions for the year 1937. I stated to the committee that I thought it was approximately 30 percent. You will notice that it is 25.15 percent. This is the amount of contributions claimed by the sponsors. There are undoubtedly other contributions for which they have made no claim as we do not enter the credit until the sponsor actually claims it.

Works Progress Administration of New York State, exclusive of New York City

TOTAL COST OF W. P. A. PROJECT OPERATION, FEDERAL FUNDS AND SPONSORS' CONTRIBUTIONS, SHOWING PERCENT CONTRIBUTED BY SPONSOR, FOR THE CALENDAR YEAR 1937, JANUARY THROUGH DECEMBER

Federal funds	$53,034,679
Sponsors' contributions	17,821,403
Total cost	70,856,082
Percent of sponsors' contributions to total cost	25.15

(Whereupon, at 12:10 p. m., a recess was taken until 2 p. m.)

(The hearing was resumed at 2 p. m., pursuant to recess.)

STATEMENT OF J. BANKS HUDSON, W. P. A. ADMINISTRATOR FOR THE STATE OF PENNSYLVANIA

Mr. JOHNSTONE. Mr. Chairman, this Mr. Banks Hudson, W. P. A. administrator for the State of Pennsylvania.

The CHAIRMAN. How long have you been administrator in the State of Pennsylvania, Mr. Hudson?

Mr. HUDSON. Since August 7. Prior to that I was deputy administrator.

The CHAIRMAN. August 7, 1937?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. Do you wish to ask Mr. Hudson some questions, Mr. Johnstone?

Mr. JOHNSTONE. Yes, sir. Will you please tell us what is the total number of people on your rolls now, in Pennsylvania?

Mr. HUDSON. As of the 10th we had 176,000.

Mr. JOHNSTONE. As of the 10th of January?

Mr. HUDSON. Yes, sir; and we now have 193,000.

Mr. JOHNSTONE. What quota has been assigned to the State of Pennsylvania by the Works Progress Administration?

Mr. HUDSON. 190,000.

Mr. JOHNSTONE. So that you are within 3,000 of your quota?

Mr. HUDSON. Yes, sir.

Mr. JOHNSTONE. Do you know what is the size of the relief load in Pennsylvania?

Mr. HUDSON. Yes, Mr. Johnstone; 136,000 less what we have taken from them lately.

Mr. JOHNSTONE. 136,000 families?

Mr. HUDSON. Yes.

Mr. JOHNSTONE. Less the number you have taken from them recently?

Mr. HUDSON. Yes.

Mr. JOHNSTONE. That is approximately what?

Mr. HUDSON. It will be 35,000 as of today or tomorrow.

Mr. JOHNSTONE. About 100,000 are on?

Mr. HUDSON. Yes; about 105,000 are eligible for W. P. A. and certified to us.

Mr. JOHNSTONE. Have you any notion as to the number of families that are on home relief, or direct relief in Pennsylvania, in which there is an employable person who would be eligible for employment by the W. P. A.?

Mr. HUDSON. That is the figure, because they are the only ones that I referred to as eligible, those families that have one employable or more in the family.

Mr. JOHNSTONE. You mean to say that your 100,000 does not represent the total relief load, but represents the number of families in which there is an employable person?

Mr. HUDSON. Certified to us as eligible for W. P. A.

Mr. JOHNSTONE. Certified to you as eligible for W. P. A. employment?

Mr. HUDSON. Yes, sir.

Mr. JOHNSTONE. What is the percentage of sponsors' contributions in the State of Pennsylvania?

Mr. HUDSON. From January of 1937 to June 1937, 6.9. From July to December 1937, 20.3. Prior to that time; that is, from the start of the program to December 1936, 4.6.

Mr. JOHNSTONE. So that you are getting a progressive increase in sponsors' contributions?

Mr. HUDSON. Yes.

The CHAIRMAN. Does that mean cash and material?

Mr. HUDSON. It means cash and material.

Senator LODGE. As I understand the law, it requires that not more than 5 percent of the personnel shall be of nonrelief character. I notice that Pennsylvania, one of the highest States in the Union, in the matter of percentage of noncertified personnel, has 4 percent. Can you tell me why?

Mr. HUDSON. 3.8—that is close enough to 4.

Senator LODGE. This is a table that I have for the week ending January 1, 1938. The District of Columbia, Missouri, and New Mexico are the only three States higher than Pennsylvania in the matter of nonrelief, noncertified personnel, and I was wondering whether you could account for that?

Mr. HUDSON. I do not know the conditions in the other States, Senator, but I do know that on account of the varied kind of program, the different projects that we have, that we must have around 5 percent or under in order to run an efficient program.

Senator LODGE. Massachusetts is an industrial State. It has quite a wide variety of programs, and the percentage there is 0.4—4.10 of 1 percent.

Mr. HUDSON. I understand, however, in Massachusetts, although I am not sure, that the sponsors furnish some of the supervision. In Pennsylvania the sponsors furnish none of the supervision.

Senator LODGE. That is an interesting point.

The CHAIRMAN. How about the conditions in the coal area as to the number on relief rolls in that particular area?

Mr. HUDSON. In the hard-coal region, up to this last month, there has been a decided increase in the number of unemployed, but the anthracite mines are running slightly better than they have been, so there has been a slight decrease in the number of unemployed in the anthracite business.

The CHAIRMAN. Since when?

Mr. HUDSON. Since probably the 1st of November.

The CHAIRMAN. Have you an unusual number in that particular area who have been on the rolls for any great length of time?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. How long?

Mr. HUDSON. Ever since the start of the program.

The CHAIRMAN. What kind of projects have you provided?

Mr. HUDSON. In the hard-coal region, probably 50 percent are road projects, State highway projects.

The CHAIRMAN. Have you any idea of the percentage of men on your roads who have been on W. P. A. projects for any great length of time?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. What is the percentage?

Mr. HUDSON. Between 75 percent and 80 percent.

The CHAIRMAN. Between 75 percent and 80 percent on since what time?

Mr. HUDSON. Since the start of the program.

The CHAIRMAN. Since the start of the program?

Mr. HUDSON. Yes.

The CHAIRMAN. How many are on there now?

Mr. HUDSON. One hundred and ninety-three thousand.

The CHAIRMAN. Of 193,000, 75 to 80 percent——

Mr. HUDSON. Yes.

The CHAIRMAN. Have been there?

Mr. HUDSON. Yes.

The CHAIRMAN. How about those on the relief rolls who have not had a chance to get employment? Have you considered them?

Mr. HUDSON. We have considered that. Some of these people on the relief roll came on later than those people that we have on. They are progressively increasing the number. They have not been on the relief rolls very long. I thought a lot about rotating, but I am not sure that from an engineering standpoint that this would add to the efficiency of our program. In the hard-coal and soft-coal regions, where we have to work so many men who have always, prior to that time, been miners all of their lives, working by contract under ground, a certain amount of time has to be taken to train those men to do our outside work.

I am not sure, in my own mind, just how it would work from an efficiency standpoint if we rotated these people.

The CHAIRMAN. Do you advise the employment services of the names of the people on the rolls? Do you know them, and do they make an effort to get a job for these people?

Mr. HUDSON. They offer the service, and they do try to place as many men as they can, always.

The CHAIRMAN. But, nevertheless, the figures show that 75 to 80 percent have been on such relief.

Mr. HUDSON. Yes, sir.

The CHAIRMAN. Since beginning W. P. A. operations?

Mr. HUDSON. That is right.

The CHAIRMAN. What do you think about the percentage of common labor in that number; is it higher——

Mr. HUDSON. As to the skilled?

The CHAIRMAN. Yes.

Mr. HUDSON. It runs from 13 percent to 15 percent skilled.

The CHAIRMAN. And the other——

Mr. HUDSON. The other is unskilled.

The CHAIRMAN. What do you think about doing something to train those unskilled men so that they could be given employment in some field where there is a demand, instead of continuing them in their present work?

Mr. HUDSON. With the kind of work that we are doing, building roads, building schools, swimming pools, and so forth, and construction projects of all kinds, I think it takes some time to train a miner to be a common laborer on the outside.

The CHAIRMAN. He is being used.

Mr. HUDSON. Yes.

The CHAIRMAN. That is only the miners. The miners do not constitute all of that large number?

Mr. HUDSON. They do not; no sir.

The CHAIRMAN. How about in the cities, for instance, Pittsburgh and Philadelphia?

Mr. HUDSON. Pittsburgh and Philadelphia are pretty much the same as to the class of people that we get. It would not be necessary to give them any intensive training to make them available for other jobs, that is, common-laborer jobs.

The CHAIRMAN. What percentage of the cost of W. P. A. projects is involved in construction projects? You say school buildings——

Mr. HUDSON. I can submit in detail the kind and percentage of projects.

The CHAIRMAN. You have a lot of white-collar projects?

Mr. HUDSON. Yes. We have about 14 percent of our workers who are white-collar people.

The CHAIRMAN. How would the cost of the construction of projects by W. P. A. compare with the cost under private contract?

Mr. HUDSON. That is a question of opinion. We know that the W. P. A. workers are not as efficient as the contractors', but we think it is within 10 or 15 percent on the construction projects.

Senator LODGE. What steps do you take to prevent skilled workers on W. P. A. from doing jobs on their own account, as well?

Mr. HUDSON. Senator Lodge, whenever we have a complaint, and wherever we hear of any skilled worker getting outside work, we always investigate it, and they know that if they are found out that they are working on two jobs, we will drop them.

Senator LODGE. In the case of a worker who gets paid $60 a month, let us say, or $72 a month, you arrange the work so it spreads over the month?

Mr. HUDSON. Yes; so many hours a month.

The CHAIRMAN. Do you allow him to work the hours all off in the first 2 weeks?

Mr. HUDSON. No, sir.

Senator LODGE. You spread it out?

Mr. HUDSON. Yes; over the 4 weeks.

The CHAIRMAN. You have not made any investigation yourself as to the number who have other jobs?

Mr. HUDSON. No, sir.

Mr. JOHNSTONE. In 1937 as compared with 1936 did your rolls decline? Did you have fewer people, for instance, employed in June 1937 than you had in January?

Mr. HUDSON. Just a minute and I will check that, Mr. Johnstone. Yes; we had fewer.

The CHAIRMAN. How many?

Mr. HUDSON. About 26,000, Senator.

Mr. JOHNSTONE. What was the peak of your quota in Pennsylvania, from the beginning of the program?

Mr. HUDSON. Two hundred and eight-nine thousand.

Mr. JOHNSTONE. And you have now how many?

Mr. HUDSON. One hundred and ninety-three thousand.

Mr. JOHNSTONE. Do you know how many separate individuals have had a job on W. P. A. since it was organized in Pennsylvania, who are not on W. P. A. now?

Mr. HUDSON. No, sir. We have some records there on how many people left W. P. A. to take private employment, but that is not complete because we only know those that told us.

Mr. JOHNSTONE. How many are they?

Mr. HUDSON. I cannot give you that figure but I can submit it. I think, roughly, it is around 88,000.

The CHAIRMAN. How were the eligibles selected in Pennsylvania; by what organization?

Mr. HUDSON. By the department of public assistance. We have only one relief agency in Pennsylvania.

The CHAIRMAN. The department of public assistance?

Mr. HUDSON. Yes, sir. They have recently taken over the poor board and the old age and the blind.

Senator LODGE. They are all run by the State?

Mr. HUDSON. Yes, sir.

Senator LODGE. Is the director appointed by the Governor?

Mr. HUDSON. Yes. He is a member of the Governor's cabinet.

Senator LODGE. They determine the eligibility of the people for the rolls?

Mr. HUDSON. Yes, sir.

Senator LODGE. You have to take the certification from that Department of Public Assistance?

Mr. HUDSON. Yes; but we get our people from the employment office. After people are certified for relief as eligible to W. P. A., they register with the State employment office, and we requisition on them for our workers, and those people are interviewed when they register for unemployment.

Senator LODGE. They are interviewed by whom?

Mr. HUDSON. By an interviewer.

Senator LODGE. For your office?

Mr. HUDSON. No, sir; for the State employment office.

Mr. JOHNSTONE. There is where the determination is made of the employability——

Mr. HUDSON. That is correct.

Mr. JOHNSTONE. In Pennsylvania?

Mr. HUDSON. That is correct.

Senator LODGE. How many forms of public assistance does the State provide in Pennsylvania?

Mr. HUDSON. Old age, blind, mothers' assistance, and this straight relief. That is all that I know of. There may be more.

Mr. JOHNSTONE. As to the 75 or 80 percent of the people whom you have on your rolls, who have been with you from the beginning, does that percentage in any wise reflect the residuum of workers left as a result of the reduction of your quota?

Mr. HUDSON. Yes: I think it does, Mr. Johnstone.

Mr. JOHNSTONE. You have tended to keep on the rolls the least competent?

Mr. HUDSON. No, sir.

Mr. JOHNSTONE. Of the people who have been on there?

Mr. HUDSON. No. We tended to keep on the rolls the most needy people.

Mr. JOHNSTONE. The most needy people.

Mr. HUDSON. Yes; as far as we can; the most efficient people; not the least efficient.

Mr. JOHNSTONE. Is it not a fact that the most competent people that you have had, according to your W. P. A. experience in Pennsylvania, have been the quickest ones to get private jobs when they were available?

Mr. HUDSON. I would not say that is true all over the State. Where it is available; yes.

The CHAIRMAN. Does your employment office try to place W. P. A. workers in jobs, or does it give most of its attention to men who have no jobs with W. P. A.?

Mr. HUDSON. I think, Senator, they make a sincere effort to place just as many people as they can in private employment. Right now they are covered up with the unemployment-insurance applications.

The CHAIRMAN. That is a recent development?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. But in all of the time since we started W. P. A. you do not think they have been very successful in placing them?

Mr. HUDSON. No, sir. I think I have some figures here as to the persons for whom placements have been made. In September of this year they made 8,314; in October they made 6,765.

The CHAIRMAN. Is that W. P. A. workers?

Mr. HUDSON. No, sir; that is men——

The CHAIRMAN. That is what I was wondering, if they could make 8,300 placements, and there were 8,300 people who did not have W. P. A. jobs.

Mr. HUDSON. Yes, sir.

The CHAIRMAN. They did not place any W. P. A. workers.

Mr. HUDSON. Not as far as I know. They may have.

The CHAIRMAN. Then they devote most of their time potentially to placing men not on W. P. A. jobs?

Senator LODGE. Do you keep a lot of various types of projects in an approved State in order to be ready, and to have no delay?

Mr. HUDSON. Yes, sir.

Senator LODGE. Do those projects cover the whole range of possible employment, of the possible aptitudes of candidates for W. P. A. jobs?

Mr. HUDSON. Yes, sir.

Senator LODGE. What I am getting at is this, take the employables in Pennsylvania, who are not on W. P. A., we were advised this morning that, as a general rule, 20 percent of those employable could not get on W. P. A. in any case, because they are aliens or because they have had an unfortunate experience with W. P. A. in the past.

Then you have another 30 percent that would not get on because there would not be the type of work on W. P. A. for which they are fitted; leaving only about 50 percent of those employables who could get on W. P. A., assuming that there was money to take them. It seems to me that it is extremely unfair that on relief project a person could not get on simply because there is not the type of work that he can do, while there are others, who are quite desirous of getting on who can get on because there is the kind of work they can do.

Mr. HUDSON. In Pennsylvania we provide types of projects by locations for any eligibles that we have. They do not refer aliens to us. We do not get them.

Senator LODGE. What suggestions would you make for improving the W. P. A.?

Mr. HUDSON. I think, in Pennsylvania, we are doing a pretty good job. I have no suggestions to offer, Senator.

Senator LODGE. I am not reflecting on your individual administration. I do not doubt that that is true of everything you say, but certainly, everything that is human is subject to improvement and this is an experimental thing. It has produced some very fine results. I am not trying to be critical at all, but it seems to me that everything is susceptible of improvement and development as it goes along, and as we acquire experience on it. I think that the W. P. A. administrators, particularly, are the ones that ought to have the most intimate knowledge of it and, consequently, suggestions as to how it may be improved.

Mr. HUDSON. One thing that would help a great deal is if we would have time to plan a long-range program, but we have not the time.

The CHAIRMAN. That contemplates a continued employment of the people who are on there, does it not?

Mr. HUDSON. Yes; the people that are on there, or all of these people not on.

The CHAIRMAN. What is your minimum wage?

Mr. HUDSON. We have four classes of counties: A, B, C, and D.

We have four classes of wages: professional and technical, skilled, intermediate, and unskilled.

In class A counties, $94, $85, $71.50, and $60.50.

The CHAIRMAN. Your professionals are paid what?

Mr. HUDSON. $94.

The CHAIRMAN. And the next?

Mr. HUDSON. $85.

The CHAIRMAN. That is skilled?

Mr. HUDSON. Yes; $85.

Intermediate or semiskilled, $71.50.

Skilled or common labor, $60.50.

In the class A counties, that is, the counties that have a population of over 100,000——

The CHAIRMAN. $60.50 for unskilled?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. What is New Work?

Mr. JOHNSTONE. Class A, $60.50.

The CHAIRMAN. I thought it was $50.60.

Mr. JOHNSTONE. Common labor in New York State is $60.50.

The CHAIRMAN. What is it in the other counties in the State?

Mr. HUDSON. In the B counties, 50,000 to 100,000, $83, $75, $66, and $57.20.

In the C counties, $77, $70, $60.50, and $52.80.

The CHAIRMAN. What do you call the C counties?

Mr. HUDSON. A C county is 25,000 people to 50,000 people.

The CHAIRMAN. Do you have any other classification?

Mr. HUDSON. We have the D county.

The CHAIRMAN. What is that?

Mr. HUDSON. $69, $63, $55, and $48.40. That is from 5,000 to 25,000 population.

The CHAIRMAN. There is a wide variation in the amount paid. I think in South Carolina unskilled labor is paid about $22. The lowest scale that you have is more than twice as much as the highest amount paid to common labor in the State of South Carolina and in many other States.

Mr. HUDSON. Yes; I know that.

The CHAIRMAN. It seems to vary throughout the country. Thank you.

(Witness excused.)

Mr. JOHNSTONE. Mr. Chairman, I think it might be interesting to the committee to get a complete statement of the relief situation in the State of Michigan, and I will ask Mr. Haber to take the stand.

STATEMENT OF WILLIAM HABER, OF THE DEPARTMENT OF ECONOMICS, UNIVERSITY OF MICHIGAN

Mr. JOHNSTONE. You are former relief administrator of the State of Michigan, Mr. Haber?

Mr. HABER. Yes, sir.

Mr. JOHNSTONE. Have you had recent conferences with the relief administrator in that State, and are you familiar with the trend of employment there?

Mr. HABER. That is right. I have, Mr. Chairman, prepared a summary of my remarks that I will be glad to put into the record.

I want to take a few moments to emphasize the leading issues involved in the present situation.

First, I want to comment on what we know about the trend of unemployment in Michigan, and to indicate the data, insofar as we are able to estimate it.

We estimate that there has been an increase in the nnmber of persons unemployed in Michigan, between July and December 1937, of approximately 50 percent.

This estimate is based on the monthly reports of the State department of labor and industry, with some calculations based upon increases in various industries.

The lowest point of unemployment in Michigan was reached in July 1937, when approximately 213,400 persons were unemployed.

On the basis of the available record this represents probably the best month, from the viewpoint of employment, of any time since 1929.

The number of persons unemployed increased in each month since July. Between October and November unemployment increased by 25.4 percent, to 271,300 persons, and by December this figure increased further 17.7 percent, to more than 319,400 persons. Since the figures for December are based upon reporting data as of December 15, we have made some calculations as to the figures for the middle of January, assuming the rate of change between the middle of December and the middle of January to be the same that prevailed between November and December. Insofar as it is possible to make any accurate estimates, on the basis of rather detailed employment figures, it is our estimate that on January 15 approximately 376,000 persons were unemployed in Michigan. This represents about 18 percent of all the employable persons in the State.

Again tracing the figures back, this means that between July 15, 1937, and January 15, 1938, about 163,000 persons were separated from the pay rolls in Michigan industries.

The CHAIRMAN. Have you checked the figures of the voluntary registration?

Mr. HABER. Yes, sir. They are very much lower.

The CHAIRMAN. How do they compare?

Mr. HABER. The figures for the State, as of November 16, I believe the date is, show that the total unemployed in Michigan are 195,616. My estimate for November 15 is 271,300.

The CHAIRMAN. Where did you find the other 80,000?

Mr. HABER. These figures on unemployment are based upon the reports to the Department of Labor of persons employed, and involved calculations of the differences between the number of persons reported to be employed, and the total number of gainfully employed persons in the State. I do not know, except possibly to say that the voluntary registration did not bring all of them out. I was quite interested in the result myself and checked with Mr. Biggers' figures this morning.

The CHAIRMAN. That is the difference between 195,000 and 270,000?

Mr. HABER. 195,000 and 271,000.

The CHAIRMAN. We can get a lot of figures, then, if that held good as to the country. Instead of 10,000,000 unemployed, as Mr. Biggers' registration shows, you would have 18,000,000, would you not?

Mr. HABER. No. I think this figure of Mr. Biggers' is based on his estimate of eight million seven.

The CHAIRMAN. He, of course, had it checked up, and then estimated it based upon the check.

Mr. HABER. Yes.

The CHAIRMAN. 10.7.

Mr. HABER. If the same difference were true, as is apparently indicated in the Michigan figures, Mr. Biggers' figures, instead of being eight million seven, might be closer to twelve, rather than eighteen, although I would not want to hazard a calculation there.

The point of significance is that we have to make a wild guess about unemployment. This estimate is as scientific a guess as it is possible to make.

The CHAIRMAN. Go ahead.

Mr. JOHNSTONE. Might I ask this: Is there approximately the same difference between your estimate here of unemployed and the total registrations, and Mr. Biggers' estimate, based upon actual census in the spot cities of the United States?

Mr. HABER. I have not compared it.

Mr. JOHNSTONE. His figures were 7.10, and ten point something.

Mr. HABER. No. His difference is somewhat smaller than the difference between these two figures.

I might indicate that some effort was made to find out to what extent this decrease between November—October and December is seasonal in character. It is extremely interesting to compare, for example, the nonmanufacturing industries, which for 10 years back, to 1929, in fact have shown, usually, an increase in the number of employed between November and December of 30,000 during those months and for this year they show a decrease. I cite that fact by way of trying to correct in my own mind any seasonal bias in this data, so that there should be no question as to whether it is seasonal or not.

Second, I want to briefly comment upon the relief situation, leaving the balance of my remarks on unemployed for the record.

The total number of cases receiving relief in Michigan, on September 1, was 41,000. This is direct relief. On January 1 it was 76,000 or an increase of 83 percent. On January 14—this data came by wire this morning—it was 83,000 or an increase of 98 percent between September 1 and January 14.

The greatest proportion of this increase is represented by employable cases. I think this is a significant figure. On September 1 only 8 percent of the relief load was employable.

Senator LODGE. 8 percent?

Mr. HABER. 8 percent; approximately 4,000 people.

On January 14 30,000 of these 83,000 cases were employable, indicating, of course, the obvious situation that those coming on the relief rolls today are the employable persons who have recently been laid off in industry.

Senator LODGE. Do you find that they can get on quicker than they used to?

Mr. HABER. We tried to make some calculations. My long experience, both in relief and W. P. A. administration in 1934–35, indicated an average of about 3 weeks between the time of lay-off and the time of application; an average of about 5 or 6 weeks between the time of lay-off and the time of receipt of the first relief check. Such observations as we have made indicate that from 3 days to 1 week elapses between the time of lay-off and the time of the application.

Senator LODGE. It is speeded up now?

Mr. HABER. Yes. Part of it is due to a great deal of part-time employment. Many of these people have received only small checks during the last few weeks of employment, which means that lay-off results in immediate application. Part is also due to a lesser hesitancy to apply for relief. That is not a new experience any more.

Senator LODGE. We all hoped and believed—I know I did—that when we had unemployment compensation, that that would act as a bridge and would cushion the shock for a lot of people, yet in the days when we did not have unemployment compensation there was this delay of 3 or 4 weeks. Now, there is a delay of only 3 or 4 days.

Mr. HABER. In no State has unemployment compensation had any opportunity to show any effect, as yet.

Senator LODGE. That is true.

Mr. HABER. Except Wisconsin. While there, I want to make some private observations on that; the unemployment compensation experience so far throws no light on this question.

One interesting fact that seems to me extremely significant is the large number of persons making relief applications for the first time. You would have thought that in the past 6 or 8 years, with pretty heavy relief rolls, pretty nearly everybody in the population who had at one time to apply for relief, would have already applied for it, and that most of the people who would come on now would be reopened cases.

Actually, in Michigan, in October, 5,200 of the relief applicants had never before applied for relief in their employment experience. In November approximately 10,000 of such cases had never before

applied for relief. While this might be a digression, I think it is significant in relationship to the broad purposes of the committee's investigation. Looking back over the entire depression history, we estimate that about 38 percent of the citizens of Michigan have, at one time or another, received some form of public assistance.

The CHAIRMAN. Thirty-eight percent?

Mr. HABER. Thirty-eight percent.

The CHAIRMAN. How do you arrive at that?

Mr. HABER. By a study of unduplicated cases. This is an estimate. The study has not been completed. I have, however, heard a report on New York State at a recent meeting, in which the estimate there was that slightly in excess of 40 percent of the New York population——

The CHAIRMAN (interposing). Who is doing the estimating?

Mr. HABER. The New York study was made by Mr. Frankel, I believe. Is that right—the statistician for the welfare bureau.

The CHAIRMAN. Of what?

Mr. HABER. For the State welfare administration.

Mr. JOHNSTONE. Is Mr. Frankel the man who used to be statistician for the Metropolitan Life Insurance Co.?

Mr. HABER. I do not know. My final conclusion on relief is that it is the viewpoint of administrators of relief in the counties of Michigan, and the State, that the full impact of the present situation has not yet been felt, as far as relief is concerned; that the backlog of applications is such that they expect a further 25,000 additional cases to come on the relief roll during the next 3 months. They are merely trying to think ahead of the problem this winter.

Now, I want to say just a few words, more fully elaborated here, about the total Michigan population which is receiving some form of public assistance. Since those figures were cited for New York this morning, a comparison might be important.

The peak load, the highest number of persons receiving public assistance in Michigan, occurred in November 1934. At that time 866,000 persons, or 18 percent of the State's population, were receiving aid—866,000 persons, or 228,000 cases. As of January 1, 544,000 persons, or approximately 11 percent of the State's population, were receiving public assistance. Seven percent of the peak load has gone back to private employment.

The CHAIRMAN. Is that in the latter part of 1934?

Mr. HABER. In November 1934.

The CHAIRMAN. In 1933 what assistance was rendered by the State?

Mr. HABER. In 1933, in Michigan, of course, for a time there was the C. W. A., and as of that time there was the direct relief of the F. E. R. A., which was functioning all the time.

The CHAIRMAN. Notwithstanding that, November 1934 was much greater than at any time in 1933.

Mr. HABER. That is right. I have the monthly figures in the record.

I would like to indicate one observation, that the Michigan figures indicate, at least for that State and I think they generally represent the industrial situation, the situation of the industrial States, that we somewhat exaggerate the relationship between the size of the relief load and industrial recovery.

A greater proportion of that load than we ordinarily appreciate has been pretty stable, particularly when we take into that categories which have come in since the Social Security Act; and industrial recovery would have to be much more intense and active before the great bulk of persons, employable persons on relief and on W. P. A., would be absorbed in private industry.

One further thought is that no more than about half of the unemployed have been on relief at any time, and when recovery takes place, that half of the unemployed which has not yet received public assistance, recovery from the present recession will absorb, first of all, those most recently laid off, probably since September, and that recovery would have to be more than merely from the present recession to dig into the employable load on direct relief on September 1, and on W. P. A. on September 1.

The CHAIRMAN. Did you make any inquiry as to how long the W. P. A. worker remained on a W. P. A. project in Michigan?

Mr. HABER. Mr. Nims, who will follow me, will have more definite data on that.

The CHAIRMAN. All right.

Mr. HABER. One word or two on the financial situation involving relief in Michigan.

The legislature appropriated $8,000,000 per year for direct relief. This is in addition to $10,000,000 per year for old-age assistance, $4,000,000 for aid to dependent children, and approximately $75,000 per year for aid to the blind.

During the first 6 months of 1937–38, from July 1, 1937, to January 1, the total expenditures for general relief in Michigan were approximately $7,000,000. About half of that has been provided by the State and about half by the counties, the bulk being raised in Wayne County and Detroit.

The general estimates outlined in this memorandum indicate that for an approximate need of the next 6 months of 9½ million dollars, there is available from all sources about $6,500,000, indicating a deficit that will have to be found from some source or other, within the State or elsewhere. The problem is as to this relief situation that this financial stringency which has, of course, been in existence since October and since September, has had an extremely devastating effect upon the content of the relief budget.

A survey conducted in all the Michigan counties by the State emergency relief administration brought out these facts, and I want to emphasize them for what they are worth; that most of the counties report serious reductions in the amounts granted to relief recipients. Twenty-seven of the seventy-five counties from which reports have been received indicated that children were being kept out of school because of lack of clothing. Forty-two counties reported budget cuts below the restricted level. These cuts ranged from 10 percent to 52 percent. In 13 of the 42 counties the cuts applied to food items only. In other instances these reductions applied to all budgetary items. These decreases in the budgets allowed relief recipients amounted to 10 percent or less in three counties; 11 percent to 20 percent in five counties; 21 percent to 30 percent in nine counties; 31 percent to 40 percent in two counties; and over 40 percent in six counties.

I state this by way of indicating the actual effect that the financial stringency has had upon the quality of relief granted during the past several months.

The CHAIRMAN. What reduction in amount spent has there been in the last 3 months?

Mr. HABER. What is that, Mr. Chairman? I am sorry but I did not get that.

The CHAIRMAN. What reduction in expenditures have you made?

Mr. HABER. The latest figures I have, total, are for November, when the average amount granted for direct relief in Michigan was approximately $30 per month. These averages are very deceptive. They include high-cost counties, like Wayne, where Detroit is located, where the cost might be as much as $45 per month, with a low urban county, where the cost may be as low as $15 per month.

I believe that you get a wrong picture when you talk of averages. Most of the poorer counties in the State have cut food. That is the significant thing. They cut clothing. That is the significant thing. If it is important for the record we could get in there, on very short notice, the actual monthly averages by counties, in December.

The CHAIRMAN. As to the total amount of expenditures in the State, was there a reduction?

Mr. HABER. No. The total amounts have increased.

The CHAIRMAN. That is really because of the increased load.

Mr. HABER. It is a reduction in the individual budget and not in the total expenditures made.

Senator LODGE. What percentage of the population of Michigan is receiving some form of public assistance?

Mr. HABER. 11 percent today. That includes W. P. A.

Senator LODGE. Is that lower or higher than the National Budget?

Mr. HABER. I do not know the national average right now. The peak in Michigan was 18 percent.

Senator LODGE. When was that?

Mr. HABER. November 1934.

Senator LODGE. Is that peak for the country?

Mr. HABER. I think the peak for the country came early in 1934. I think it was in March.

Senator LODGE. You have also made a survey of Massachusetts for the committee of the legislature there?

Mr. HABER. That is right.

Senator LODGE. In your report, which I have read, you state that 15 percent of the population in Massachusetts received some form of public assistance.

Mr. HABER. That is right.

Senator LODGE. Is that higher or lower than the Nation?

Mr. HABER. I think it is higher than the national average.

Senator LODGE. How does it compare with 1934, in Massachusetts?

Mr. HABER. It is much lower than in 1934, in Massachusetts, but not as much lower as the change in the industrial situation between 1934 and now.

The greater proportion of the Massachusetts load on relief comes about particularly because of the hard hit industrial towns. That factor was extremely significant because in Massachusetts relief is handled entirely by the local towns and cities, except W. P. A.

Senator LODGE. It is administered there?

Mr. HABER. Yes. One would naturally expect, in view of all the statements made, that there would be a lesser proportion of people on relief when locally administered, and that there would be lower costs. I was very much impressed with those Massachusetts figures.

Senator LODGE. It is administered locally, the financing, both local and State.

Mr. HABER. The bulk of it is local.

Senator LODGE. The cities and towns in Massachusetts get income-tax receipts and regular grants from the State.

Mr. HABER. Of the $42,000,000 spent for public assistance in Massachusetts in 1936 the State provided about $14,000,000.

Senator LODGE. That is, counting the income tax?

Mr. HABER. No. It comes from the liquor tax and the racing tax.

Senator LODGE. The people in Massachusetts did not count in the income-tax allotment to the cities and towns. That was a State contribution.

Mr. HABER. But it is not earmarked for relief.

Senator LODGE. It is used for everything in general.

Mr. HABER. That is right, while the racing and liquor taxes are specifically earmarked for relief, while the income tax is not earmarked.

Senator LODGE. I would like to get your explanation of this. The cost per man, on W. P. A., is estimated to average about $800 per man. I understand that is the figure that has been given to us.

Mr. HABER. I do not know the recent figure.

Mr. JOHNSTONE. The W. P. A. figure is $600 per year.

Senator LODGE. Is it?

Mr. JOHNSTONE. Yes, sir.

Mr. HABER. $800 seems high.

The CHAIRMAN. It has been estimated at $800 a year, to the Appropriations Committee.

Senator LODGE. I think I got that out of the Senate appropriations hearings.

The CHAIRMAN. From the W. P. A. headquarters.

Senator LODGE. I would like to get your estimate of the cost per year on regular relief. Is that a hard thing to do?

Mr. HABER. No. If you take the W. P. A. figures as an average, in Massachusetts, approximately $30 per month, times 12, it will give you the figure. Those averages, however, need to be corrected. It is a little higher for old-age assistance. It is as high for dependent children; about $54 per month in that case. Those averages include single people, who get next to nothing, and large families, who get as much as $70.

One final observation apropos of the possible relationship between unemployment insurance and public relief. The Michigan law, obviously, does not go into effect until July 1, 1938, and will, of course, have no effect, therefore, for the next 6 or 8 months, until benefits actually get into the hands of individuals, but I think it is important from the viewpoint of looking at the problem nationally to emphasize that too much expectation is held out for the effect of unemployment insurance upon the relief load.

First of all, to take Michigan alone, only 45 percent of the gainful workers in Michigan are protected by the unemployment insurance law. It is obvious that the relief burden will not be adequately

taken care of by it. In the second place, the unemployment insurance benefits are extremely limited, not so much in that they are 50 percent of the weekly wages, but practically in that they are related to the earning experience of the individual worker. If we look at the experience of Great Britain with unemployment insurance we actually find today, after 25 years' experience, that there are more persons receiving public assistance, so-called relief, in Great Britain than there are receiving unemployment insurance benefits.

I want to make this statement that rather than expecting unemployment insurance to have a very serious effect upon the size of the relief burden, it is my opinion that unemployment insurance raises the question of how important it is to have a supplementary system of relief for those not covered by unemployment insurance, and those who, if covered, exhaust their benefits.

It seems to me that the biggest danger in this country to the integrity of these insurance funds lies in the existence of a large group of people whose benefits under the insurance funds are limited, or who are totally excluded from the insurance funds, and if this excluded group on the outside of the insurance fund represents a pressure group, that pressure group, if European experience is any criteria at all, tends to destroy the solvency in actuarial soundness of our insurance system. That was the experience of England until 1934, when they finally set up a supplementary system, and that has been the experience of continental countries, as well.

The CHAIRMAN. What they set up was assistance to be rendered to those not covered, and then to be rendered to the worker who has exhausted his benefits under unemployment insurance. He continues unemployed, and in that case he goes over to the assistance bureau. It is an additional relief.

Mr. HABER. That is right.

The CHAIRMAN. That is what it amounts to?

Mr. HABER. That is right.

The CHAIRMAN. What you mean is that we, in some way, would have to expect to provide some assistance for those not covered by the unemployment benefits, and we must expect that.

Mr. HABER. That is right.

The CHAIRMAN. There is quite a large number of workers whom we must expect to have with us, who are out of jobs, and who have exhausted their benefits, and who will continue out of employment.

Mr. HABER. There is one further observation on that that may be pertinent to your comment. Unemployment insurance benefits will probably increase the quantity of direct relief as against the quantity of work relief which will have to be made available. The unemployment insurance benefits, if large, will increase the quantity of direct relief as against the quantity of work relief, in this sense, that during the waiting period of 3 or 5 weeks, depending on the State, the person covered by the insurance law, but who has not yet qualified, if he needs assistance, the work relief assignment will be impracticable for him.

The CHAIRMAN. But just as soon as he reported as having a job——

Mr. HABER. It would cease.

The CHAIRMAN. Therefore, what you state is correct. That is bound to be.

Senator LODGE. What percentage of the amount expended on W. P. A. do you think remains as value in the form of construction that has been done?

Mr. HABER. That is hard for me to answer, Senator. I would be glad to say if the facts were at my disposal. I would rather that you would ask it of the W. P. A. director, who knows the projects more intimately.

Senator LODGE. I think it would be very interesting to know that. I have heard that it was 60 percent, and about 40 percent of it would represent cost in wages. And that can be compared with direct relief.

The CHAIRMAN. We have considered that, and it was very difficult to ascertain.

Mr. JOHNSTON. I think it varies from 60 percent to 85 percent.

The CHAIRMAN. Is the anything else?

Mr. HABER. That is all I have.

(Witness excused.)

(Mr. Haber, the last preceding witness, submitted the following report, which he requested be included in the record:)

SUMMARY OF STATEMENT OF UNEMPLOYMENT AND RELIEF IN MICHIGAN, SUBMITTED TO THE UNITED STATES SENATE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF, BY WILLIAM HABER, FORMERLY EMERGENCY RELIEF ADMINISTRATOR FOR MICHIGAN. NOW PROFESSOR OF ECONOMICS IN THE INSTITUTION OF PUBLIC AND SOCIAL ADMINISTRATION, UNIVERSITY OF MICHIGAN

THE UNEMPLOYMENT SITUATION IN MICHIGAN

The estimated number of unemployed in Michigan increased 50 percent from July to December 1937. This estimate is based upon the monthly reports prepared by the State department of labor and industry, which secures employment data from consistently reporting plants covering a wide range in each of the State's industries. The lowest point of unemployment was reached in July of 1937, when only 213,400 of the State's workers were estimated to be unemployed. On the basis of the available record this represents the best month from the viewpoint of employment of any since 1929. The number of persons unemployed in Michigan increased each month since July. Between October and November unemployment increased by 25.4 percent to 271,300 and by December this figure increased 17.7 percent more to a total of 319,400. Since the figures for December are based upon reporting data as of December 15 and since there have been exceedingly heavy lay-offs during the latter part of December and the early part of January, particularly in the automobile industry, the number estimated to be unemployed as of the middle of January is considerably greater. Assuming the rate of increase in unemployment between the middle of December and the middle of January was no greater than that which occurred between November and December, the number of unemployed in Michigan as of January 15 can be estimated at approximately 376,000 or 18.8 percent of the gainfully employed workers in the State.

On the basis of these estimates it can be said that between July 15, 1937, and January 15, 1938, approximately 163,000 persons were separated from pay rolls in Michigan industries.

In addition, it should be emphasized that for the manufacturing industries at least employment is on a schedule considerably below full time and that in many establishments a 24-hour week prevails.

A close examination of the employment data for both the manufacturing and nonmanufacturing industries indicates clearly that the extent of the employment decrease in the latter months of the year are not seasonal in character. Employment has increased both in the manufacturing and nonmanufacturing industries during November and December in each year since 1929. It has, however, decreased sharply both in the manufacturing and nonmanufacturing industries during November and December of this year. For example, the usual increase in the nonmanufacturing industry between November and December is 30,000, most of which occurs in December and consists of temporary

employment in the retail trade. The estimates for 1937, however, indicates an actual decrease of 6,100 workers within this period.

It should be emphasized in addition, however, that the monthly average number of persons unemployed in Michigan has been decreasing annually since the peak of 1933. The following estimates indicate the average number of unemployed persons each year since 1929:

Year and average number unemployed

1929	87,300
1930	336,600
1931	460,700
1932	592,800
1933	572,000
1934	358,100
1935	282,800
1936	265,000
1937	255,200

GENERAL RELIEF SITUATION

This rapid increase of unemployment has had its effect upon the relief situation in the State. There is available the weekly and monthly data of the State emergency welfare relief commission, which indicate the sharp increases which have taken place in the relief load.

The total number of cases (each case includes approximately four persons) receiving direct relief in the State increased from 41,989 from September 1, 1937, to 76,894 cases on January 1, 1938, an increase of 83 percent. The greater proportion of this increase is presented by employable cases. On September 1 of the then existing relief load (41,989) only 3,723, or 8.2 percent, were employable persons, but on January 7 those on the direct relief rolls able to work numbered 24,483, or 31.8 percent of the total load. In brief, the employable cases on relief increased about six times as fast as the case load on the whole. This suggests, of course, that those now coming on the relief rolls are men and women recently laid off in private industry.

It is also significant to note that in many instances these persons are coming on relief for the first time. Thus in October of 1937, 5,200 of the total number of cases who came on relief had never before received relief. In November approximately 10,900 were making their first application. Since September 10 case load has increased in excess of 5,000 per week. While many are applying for relief much sooner after being laid off than they did during the period 1933–35, it is reasonable to assume that thousands of laid off persons have not yet applied and will apply when their resources are exhausted unless, of course, reemployment is more rapid than anticipated.

It is the viewpoint of the administrators of relief in the State and counties of Michigan that the full impact of the present situation has not yet been felt. Many industries and occupations, including the white-collar groups, have laid off much smaller proportions than in the automobile industry. The Relief Administration estimates that on the basis of the rate of increase during the past 6 weeks, the next 3 months will see approximately 25,000 more cases added to the relief rolls, about 75 percent of whom it estimates will be employable persons. Even if W. P. A. absorbs all of these employable cases, the usual lag between the time of certification by the Relief Administration and employment by the W. P. A., approximately 3 to 5 weeks, will prevail and State relief funds will have to be used until the receipt of the first pay check.

It is further important to emphasize that an upturn in business would not result in immediately relieving the present pressure on the State and county relief administrations. Better business would mean, first, a return to full-time employment for those now working part time. It would mean, secondly, a return to employment of those unemployed but not on relief—that is, those most recently laid off. Only then would employment opportunity be opened for those already on the relief or W. P. A. rolls. It may be indicated further that those most recently added to the relief or W. P. A. rolls will undoubtedly be first employed and that more than an ordinary revival in business will be needed to absorb the so-called old unemployed—that is, those who were on relief or on W. P. A. before the present recession began.

THE ABSORPTION OF THE EMPLOYABLE RELIEF LOAD ON W. P. A.

On January 5 it was estimated that 24,500 employable persons were receiving direct relief in Michigan. For the W. P. A. to absorb all of the employable persons on the relief load, its employment will have to increase by this number or to approximately 80,000 in comparison to 42,000 on the W. P. A. rolls on September 1, 1937.

THE TOTAL RELIEF LOAD IN MICHIGAN

The real size of the relief problem in Michigan today in comparison to the 1933–35 period is partly hidden on account of the establishment of categorical forms of benefit under the Social Security Act. The peak load of relief in the State was in November 1934. At that time approximately 228,700 cases, representing 866,000 persons or 18 percent of the population of the State, were receiving some form of public assistance. On January 1, 1938, approximately 11 percent of the State's population were dependent upon public support. These represented a total of 208,300 cases, approximately 545,000 persons.

	Number of cases	Estimated persons		Number of cases	Estimated persons
General relief	71,900	215,900	A. B	500	1,590
W. P. A	52,100	208,400	Congregate shelter	7,100	7,100
O. A. A	65,000	65,000			
A. D. C	11,700	46,840	Total	208,300	544,830

This load of 545,000 persons is 29 percent greater than the average monthly total of relief prevailing in Michigan between July 1933 and June 1934. Mention should also be made of the wide regional variations which exist in the State. The ratio of the State's population dependent upon public aid varies from 5 percent in a farming county (Tuscola) to over 50 percent in the copper-mining county (Keweenaw) in the Upper Peninsula. Twenty-one of the State's 83 counties had 20 percent or more of their total population on relief on January 1. Seven counties supported 30 percent of their population (nine in the Upper Peninsula). Several regions in Michigan have large stranded populations composed of persons economically exiled from a normal self-supporting existence. The monthly changes in the relief population in many of these counties show practically no variation.

FINANCIAL ASPECTS OF RELIEF

The last regular session of the legislature appropriated $8,000,000 for emergency relief, but this is exclusive of sums appropriated for old-age assistance ($10,000,000), aid to dependent children ($4,000,000), and aid to the blind ($75,000). An additional sum of $771,000 was transferred from other accounts. The total amount spent during the past 6 months for general relief in Michigan was slightly in excess of $7,000,000. Of this amount about one-half came from local sources, largely from Detroit and Wayne County. In view of the fact that efforts were made to budget the State appropriation of $8,000,000 to last for the entire year, considerable pressure was put upon local governmental units to furnish a larger portion of the needed funds. In most instances these units were forced to draw upon their future funds and as a result many of the local funds will be exhausted very early in 1938. Local governments on the whole will not be able to furnish a large share of funds during the next few months.

At present the State has available approximately $3,500,000 for general relief for the balance of the fiscal year. The local units are expected to provide about half of this amount, thus making available approximately $6,000,000 to $6,500,000 from January 1 to June 30. The estimated needs as against the sum of $6,000,000 to $6,500,000 are approximately $9,500,000 or a deficit of about $3,000,000. The possibility of increased State funds at this time is not too bright. The absorption of the estimated 24,000 employable persons now on emergency relief rolls by the W. P. A. would provide an almost immediate easing of the situation.

The effect of inadequate appropriations is already felt in many counties. A survey made by the State emergency relief administration indicated that in most of the counties serious reductions in the amounts granted to relief recipients have been made. Twenty-seven of the seventy-five counties whose reports have

been received indicated that children were being kept out of school because of lack of clothing. Forty-two counties reported budget cuts below the restricted level. These cuts ranged from 10 to 52 percent. In 13 of the 42 counties the cuts applied to food items only. In other instances these reductions applied to all budgetary items. These decreases in the budgets allowed relief recipients amounted to 10 percent or less in three counties; 11 to 20 percent in five counties; 21 to 30 percent in nine counties; 31 to 40 percent in two counties; and over 40 percent in six counties. Reductions were made in 17 additional counties, but the amount of the reduction was not specified.

An examination of the individual reports from the counties in which reductions have been made provides a dramatic answer to the consequences of the present recession in terms of privation to thousands of families in the State.

THE POSSIBLE EFFECT OF UNEMPLOYMENT COMPENSATION UPON THE GENERAL RELIEF PROBLEM

Michigan's unemployment compensation law does not go into effect until July 1, 1938. While it may be possible to move the date of payment of benefits ahead somewhat, it is doubtful whether the State can be administratively prepared to pay benefits before July 1. Obviously the unemployment compensation law can, therefore, have no influence upon the relief load during the first 6 months of 1938.

However, in view of the general expectation that unemployment insurance benefits will materially effect the relief burden, I should like to make some general observations on this issue. While the experience of Wisconsin, which has found that unemployment compensation benefits have thus far had a relatively insignificant effect upon the number of applicants and the amount expended, may not be typical of what will happen in other States which have more liberal provisions in their law, it is my opinion after a careful examination of the provisions in the laws and of the European experience that too much emphasis is being placed on the extent to which unemployment insurance will do away with the need for relief.

It is obviously not necessary to emphasize in detail the fact that the insurance laws in general apply to not more than half of the gainfully employed persons. In Michigan, for example, less than 45 percent of the gainfully employed workers are protected by the insurance laws. Nor is it necessary to more than mention the fact that in most States there is a reasonably long waiting period and that the amounts paid in benefits are specifically limited to a sum related to the worker's previous earnings and do not exceed 50 percent of his average weekly wage, and that the number of weeks for which benefits are paid are likewise specifically limited in relation to his employment experience. Relief statistics in Detroit, for instance, indicate that during 1935 about 50 percent of the relief recipients have been unemployed and on relief for more than 6 months before finally getting back into industrial employment. For this group certainly insurance benefits, limited to an average of probably 12 weeks, will not provide a substitute for relief.

In fact, these groups of workers who are for one reason or another excluded from the insurance scheme represent the largest threat to the integrity of the unemployment insurance system. For the existence of their problem tends to confuse the problem of relief with that of insurance. Any drastic curtailment of relief expenditure in relation to need tends to create public pressure to liberalize the use of the insurance funds. The present movement to move ahead the dates for benefit payments ought to be discouraged unless it can be shown that such a step will not endanger the solvency of the insurance system.

If European experience is of any value, the existence of unemployment insurance, rather than making possible a material reduction in relief, suggests the imperative necessity of a supplementary relief system to provide protection for those who are excluded for one reason or another from the receipt of insurance benefits. The need for this supplementary system is particularly important because of the wide exclusions which exist in the unemployment insurance laws. Unless it is provided we may look for considerable pressure to make the unemployment insurance trust funds available to groups of workers who have not built up any "actuarial right" to such benefits.

It is necessary also to give immediate thought to integrating the administration of relief and unemployment insurance. In several States the insurance authorities are in fact prohibited from providing the relief administration with information as to who is being paid insurance benefits and the amount of such

benefits. Without a close cooperation between the two major agencies meeting the needs of unemployment, administrative confusion and waste will undoubtedly prevail.

Finally it should be emphasized that the existence of unemployment insurance will undoubtedly increase the number of persons who will be available for direct rather than work relief. An insured worker who needs assistance during his "waiting period" can obviously not be provided for on a work project since it would not be practicable to assign him to a project during such period. His aid, therefore, will have to be in the form of direct cash grants. Likewise, those who are actually in receipt of benefits but who may need supplementary aid will also have to be provided for through direct grants. Finally, after benefits are exhausted there is some doubt as to whether the worker involved should be assigned to a work project. These doubts are occasioned by the fact that the recipients of unemployment insurance are regularly employed workers whose unemployment may be of relatively short duration and whose assignments to work projects for relatively brief periods may not be practicable. It is, therefore, necessary to give some thought to the possibility of some transient scheme which would provide for needy persons between the time when their right to insurance benefit is exhausted and their admittance to a supplementary work program. Unemployment insurance must be looked upon as far superior to any previous system which we have yet devised to meet the needs of unemployed persons but we must not overlook the fact that with present limitations in coverage and amount of benefit it will have less of an effect upon the size of the relief burden than too frequently assumed.

STATEMENT OF LOUIS M. NIMS

The CHAIRMAN. Mr. Nims, you are W. P. A. Administrator for the State of Michigan?

Mr. NIMS. I am.

The CHAIRMAN Mr. Nims, we will be very glad to have you tell us what the situation is with reference specifically to W. P. A. How many have you now on the rolls?

Mr. NIMS. We had on the 12th, and that is the last physical count I have, 55,328 persons on the rolls, employed.

The CHAIRMAN. Have you used all of your allotment?

Mr. NIMS. No, sir; we haven't. We have assigned all of our allotment.

The CHAIRMAN. You have assigned it?

Mr. NIMS. That is right.

The CHAIRMAN. There has been some testimony, by Mr. Gill, I think it was, that after making a survey, they made an allotment some 6 weeks ago.

Mr. NIMS. That is right.

The CHAIRMAN. Under that, how much was your allotment increased?

Mr. NIMS. Our allotment was increased 20,500 cases.

The CHAIRMAN. You have not yet put those 20,000 men to work?

Mr. NIMS. No; there is a rather significant fact there; although we have assigned a sufficient number of people to make that total available, they have not yet come to work.

The CHAIRMAN. First, how many have not come to work?

Mr. NIMS. Some 7,000.

The CHAIRMAN Out of how many?

Mr. NIMS. Out of 22,762 assigned.

The CHAIRMAN. You say 22,000——

Mr. NIMS. Seven hundred and sixty-two.

The CHAIRMAN. And 15,000 have not yet reported?

Mr. NIMS. Fifteen thousand have reported.

The CHAIRMAN. Seven thousand have not reported?

Mr. NIMS. That is right.

The CHAIRMAN. How long since were they called upon or notified to report to work?

Mr. NIMS. Well, this is a cumulative deficiency that has built up since the first of December.

The CHAIRMAN. Well, they are telling us that conditions are so terrible, that so many people are out of work there who are employable and hunting jobs and unable to get them, and you say 7,000 of those you notified to come to work, have not come?

Mr. NIMS. Well, there are some mechanics, of course, we have to go through. For example, they have to get an identification number from the State employment officers, which have been somewhat slowed down.

The CHAIRMAN. How long does it take a man to get his identification number?

Mr. NIMS. Oh, 4 or 5 days, sometimes.

The CHAIRMAN. This thing has been accumulated since December 1, you say?

Mr. NIMS. Yes; but the pick-up—the acceleration—has been in the last 2 weeks.

The CHAIRMAN. Does it always take 4 or 5 days for a man to get his identification number?

Mr. NIMS. Generally speaking; no.

The CHAIRMAN. I suppose in some counties——

Mr. NIMS. There are a great many counties in Michigan where they only give itinerant service. They have no local office, and the identification issuing officer only comes to that country about once a week.

The CHAIRMAN. That, of course, is a State organization?

Mr. NIMS. That is right.

The CHAIRMAN. What do they call it in Michigan?

Mr. NIMS. The Michigan State Employment Service of the Michigan Unemployment Compensation Commission.

The CHAIRMAN. What do you call it; how do they abbreviate that?

Mr. NIMS. We speak of it as the employment service.

The CHAIRMAN. They send a man throughout the State?

Mr. NIMS. They give the workers their identification numbers that permit us to assign them to work. Without an identification number the Treasury Accounts Office will refuse to pay them.

The CHAIRMAN. Can't something be done to speed that up?

Mr. NIMS. We have asked the local offices to do for us as the old United States Employment Service offices did, and assign us numbers en bloc, which we would fill in and return, but their answer is, as they say, "That would gum the records," and they can't do it.

The CHAIRMAN. That is up to the State government?

Mr. NIMS. We are in the process of adjusting that now, sir.

The CHAIRMAN. That would not explain, though, all of the 7,000 men not reporting for work?

Mr. NIMS. Perhaps this will explain part of it. Of the some 4,000 assignments made in Wayne County, where Detroit is located, only 1,400 came to work.

The CHAIRMAN. What is the explanation of that?

Mr. NIMS. The explanation of that is two-fold; a number of these people feel sooner or later they will need relief, and by applying at once they thought they would get a priority, and the second reason is many people, finding all we had to offer temporarily, was a pick-and-shovel job, found suddenly they had enough resources so that it was not necessary for them to accept relief for some weeks to come.

The CHAIRMAN. Was that thought on their part correct, that you had no projects other than pick-and-shovel projects?

Mr. NIMS. Well, the percentage of skilled labor in Michigan at the time our 6 months' program for the first half of the calendar year of 1938 was built up was so small that we were obliged to ask the sponsors to provide a large part of this skilled labor, so projects were devised which called for practically no skilled labor from us. In putting on this extra quota of persons we have been obliged to double-shift the projects we had in effect, and, of course, that same condition had to maintain, largely unskilled classification of work.

The CHAIRMAN. What percentages have you of semiskilled or skilled workers on the rolls; do you know?

Mr. NIMS. I can't tell you at the moment, because we are going up very rapidly with our unskilled people, but in October there were about 14 percent of skilled workers.

The CHAIRMAN. Does that vary between Wayne County and the other counties in the State?

Mr. NIMS. It is about the same throughout the industrial areas.

The CHAIRMAN. I thought they had more mechanics in Detroit and Lansing.

Mr. NIMS. That is true, but a large part of the mechanics there are of the automotive type, operators of automatic screw machines and automobile punch presses, and they are not skilled in terms of the building trades.

The CHAIRMAN. What kind of projects do you use those mechanics on?

Mr. NIMS. We use them as unskilled or semiskilled laborers on construction projects.

The CHAIRMAN. And I suppose when some of these men who had been drawing high wages were notified of the character of work upon which you could put them, that is why they changed their minds and did not want the job?

Mr. NIMS. That is right.

Senator LODGE. Did you say that some of them registered in the hope that by registering early they would get priority?

Mr. NIMS. That is true.

Senator LODGE. That is not true, though, is it?

Mr. NIMS. No, sir.

Senator LODGE. It doesn't make any difference whether they register early or not, does it?

Mr. NIMS. No, sir.

The CHAIRMAN. But that was the thought they had in mind?

Mr. NIMS. Yes, sir.

The CHAIRMAN. That would mean, then, you would expect to find upon the rolls quite a number of people who would register in the belief that they might want a job, but really when you get down to offering them a job, there is quite a percentage that will not accept?

Mr. NIMS. Well, they have enough resources to last them a month,

or possibly 2 months. Many of them have expressed the opinion that they could probably carry themselves until they went back to private industry.

Mr. JOHNSTON. In the State of Michigan, have you a reservoir of approved projects capable of being put into effect quickly that would enable you to absorb any considerable number of additional people?

Mr. NIMS. I am sorry to say we have not.

Mr. JOHNSTON. Why have you not?

Mr. NIMS. The program that was built up for Michigan contemplated 45,000 average employment for 6 months of 1938. That is now extended to approximately 60,000, and will probably go considerably beyond that, so we need to have additional projects.

At the present time, from the time a project is conceived by the sponsor until it becomes a living reality and the men are working on it takes a minimum of 2 months, and it is rather difficult to get the sponsors to think 2 months ahead.

Mr. JOHNSTONE. What are the limiting factors? What requires all that time?

Mr. NIMS. Well, a project has to be conceived by the sponsor; it has to be developed; plans and specifications have to be prepared. Then it is submitted to us for review and passed on to Washington, where it takes approximately a month, at the least, for approval. Then, after approval, it probably would take from a week to 10 days to get the project in actual working order with any number of people on it.

Mr. JOHNSTONE. Is the reluctance on the part of the sponsors to furnish contributions any considerable part of this factor of delay?

Mr. NIMS. Not in Michigan. Here the sponsors' contribution at the present time is running 22.8 percent and is climbing steadily.

Senator LODGE. Did I understand you to say that approval here in Washington accounts for a delay oftentimes of a month?

Mr. NIMS. That is right.

Senator LODGE. Do you think it absolutely essential for every project to head up here in Washington?

Mr. NIMS. We are in a period of emergency now, and it seems to me the more the emergency exists, the more difficult it is to get projects approved. The petty, technical objections, the dotting of "i's," and the crossing of "t's" in the Bureau of the Budget has been the main feature of delay with us. We have found that projects that until the last 6 months were entirely acceptable as rehabilitation projects now are called maintenance projects and are not acceptable, and we are rather hard put to determine where rehabilitation stops and maintenance begins.

Senator LODGE. That would require the wisdom of a Solomon to determine that. I am not one of those that thinks that all of the wisdom of the world is centered in Washington. I feel there are people in all the States sufficiently wise and responsible to determine those questions there; and when men are out of work, it is a shame to make them wait a month. Don't you think some system could be devised?

Mr. NIMS. I think in times of emergency the rules should be liberalized sufficiently so that the men would not have to wait unnecessarily.

The CHAIRMAN. Do you mean they take a month for the approval of every project?

Mr. NIMS. The average has been that or more in the last several months. As a matter of fact, Senator, I think a month is a pretty conservative estimate.

The CHAIRMAN. The delay, from your statement, is with the Budget Bureau. Where do they come in?

Mr. NIMS. They have to pass finally, I believe, on the validity of each project, and the percentage of the sponsor's contribution.

The CHAIRMAN. Somebody has to pass upon the project, of course, to determine whether or not it comes within the law.

Senator LODGE. Isn't there an advisory project committee?

Mr. NIMS. I presume so, sir. Of course, the validity of the project has been passed upon by the local office, the State office, the regional office, and the national office prior to that time.

The CHAIRMAN. Determining whether it is within the authority contained in the law. Your State office or local office or regional office passes on that, and then it comes to Washington?

Mr. NIMS. Yes.

Mr. JOHNSTONE. What, exactly, is the role the Budget Bureau plays in the approval of projects, do you know, Mr. Nims?

Mr. NIMS. No, Mr. Counsel. I don't know exactly, except I know each project must be passed on by them.

Mr. JOHNSTONE. And your impression is it requires a month to get out of there after it goes in?

Mr. NIMS. My impression is a large part of the delay is there.

The CHAIRMAN. That impression you get from officials in the W. P. A.?

Mr. NIMS. I get that from officials in the W. P. A., and I also get it from the information I receive when I wire about certain projects or inquire about them, that they are in the Bureau.

The CHAIRMAN. That is what I say; you get it from the W. P. A. I thought perhaps the Budget might want to be heard on that and disagree with you. All you know is there is the delay?

Mr. NIMS. That is right.

The CHAIRMAN. That is all. The committee will take a recess until tomorrow morning at 10 o'clock.

(Thereupon, at 3:15 p. m., the hearing was adjourned until 10 a. m. January 20, 1938.)

UNEMPLOYMENT AND RELIEF

THURSDAY, JANUARY 20, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Washington, D. C., Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman) Clark, Davis, Lodge, Murray, Hatch, and Frazier.

Also, Alan Johnstone, Esq., counsel for the committee.

The CHAIRMAN. The committee will come to order.

STATEMENT OF COLBY CHESTER, CHAIRMAN OF THE BOARD, GENERAL FOODS CORPORATION

The CHAIRMAN. Mr. Chester, you are the chairman of the National Association of Manufacturers?

Mr. CHESTER. Yes, sir.

The CHAIRMAN. The committee has invited you to appear to ask that you be kind enough to give us your views with reference to the unemployment situation as it exists today, and to advise us what, in your opinion, if anything, the Congress can do to remedy the situation as it now stands.

Have you a prepared statement, and if you have, do you desire to read it?

Mr. CHESTER. Yes, Senator, I have a prepared statement, and with your permission, I would like to read this. I think it will tend to answer the first part of your question.

This is a discussion of the food industry.

According to recent Government figures, there are more than 48,000 manufacturers of food products, employing some 800,000 workers, in the United States. More than a third of all retail outlets sell food products. Probably no American industry is more highly competitive.

Our studies indicate that the average wage earner in this industry during 1937 received 12 percent more than in the preceding year. The industry also increased its plant construction and purchase of machinery, equipment, and trucks. While costs increased in the food industry in 1937, prices of food at the year end were about the same as at the beginning of the year and about 20 percent below the levels of 1929.

The following tabulation is based on a study of 16 representative food companies selected to represent various phases of food processing.

This survey may serve as an indication of the experience and outlook for the food industry generally. The questions and answers follow:

1. How many factory workers did you employ in September 1937 and how many do you employ now?

About one-half of the manufacturers reported an increase in employment averaging 6 percent. However, it was pointed out that normally there is an increase, due to seasonal factors, between September and January in these particular companies.

About one-half reported a decrease aggregating 9 percent. Here again in some cases the seasonal factor entered in.

It is our assumption that there has been little change, allowing for seasonal factors, in this group of 16 companies. In good times or bad, the average person in this country eats nearly a ton of food a year. However, the quality of the food varies greatly, depending upon public purchasing power.

The CHAIRMAN. Did you say a ton of food?

Mr. CHESTER. A ton of food; yes, sir.

There probably has been a net loss in total employment, due primarily to reduction in sale of the higher grade items for which more labor is usually required.

2. What was the average number of hours per week worked by your factory workers in September compared with the present time?

Three of the 16 food manufacturers reported an average increase of 16 percent in working hours per week, due to seasonal factors. Six of the companies noted an average drop of 9 percent in working hours per week, and the remainder indicate that there has been no material change.

3. As a matter of policy, when demand slackens, do you endeavor to spread work by reducing hours before considering lay-offs? If you do spread work in this way, do you provide that when the average hours per week reach a certain point you will start lay-offs?

A large majority of the food companies state that they do observe the policy of spreading the work when business is poor, and that they prefer not to effect lay-offs until the hours worked per week have reached some low point.

4. When you reduce the number of workers employed, do you, as a general policy, first lay off the workers who have been employed the shortest time—in other words, do the longer-employed workers get the preferences?

The answers were unanimous that seniority is generally observed.

5. Do you expect that the use of company reserves to provide employment this winter will be proportionately less than in the 1929–32 depression?

Seven of the companies state that the use of their reserves will be less than for 1929–32. Four indicate that they would use the same amount or more. The remainder merely commented that they did not expect they would need to use reserves for this purpose.

6. How do you expect your company's business in the next 6 months will compare with the present level?

Ten companies expect no material change from the present level. Three expect improvement. Two expect their business will be worse. And one refuses to venture a guess.

7. What do you think about business in your industry as a whole (not your own company) during the next 6 months?

Six predict a continuation of the current level. Three expect improvement. Three expect ups and downs. Three expect conditions will get worse. And one prefers not to say.

8. Do you think there will be a definite upturn in your industry as a whole sometime in 1938?

A majority expects that conditions will get no worse—in fact, most of this group expects improvement before the end of 1938. Three forecast that conditions will get worse by the end of this year.

9. What do you think should be done immediately from the general relief standpoint?

While all who answered this question favored some form of public relief, Federal, State, or local, the suggestions were widely scattered.

In conclusion, I should like to comment that replies to these questionnaires were received during the past 2 weeks. So the information is timely. In sending the questionnaire, I stated that the material would be presented to this committee, and the food manufacturers were glad to cooperate. Incidentally, I indicated that the replies would be tabulated and presented as a composite report, rather than reporting on any one individual company.

Now, sir, with your permission, I have a further report of industry as a whole, along the same general lines. This is a cross section of industry:

In order to bring to this committee representative viewpoints from many industries, I obtained during the last 2 weeks the replies of such industries to the same questions sent to food manufacturers. Here, again, no pretense is made of giving an accurate picture of the conditions in industry generally. But I do believe the tabulation of these replies will serve as an indication of general conditions.

Approximately 40 large manufacturers are represented in the following report. The industries include the following: Automobiles, electrical products, publications, oil, glass, locomotives, tobacco, plumbing supplies, cement, steel, auto accessories, metal cans, textiles, chemicals, tires, building supplies, shoes, paper, household supplies, shipbuilding, paints, and several others.

1. How many factory workers did you employ in September 1937 and how many do you employ now?

An overwhelming majority of manufacturers report a decrease in employment for the period. The decrease averages 11 percent.

2. What was the average number of hours per week worked by your factory workers in September compared with the present time?

About three-fourths of the companies state that the hours worked per week have declined. The average number of hours worked now is 32.5, a decline of 6.1 hours, or 16 percent.

3. As a matter of policy, when demand slackens do you endeavor to spread work by reducing hours before considering lay-offs? If you do spread work in this way, do you provide that when the average hours per week reach a certain point you will start lay-offs?

Some companies oppose work spreading and believe that their main endeavor should be to provide full-time employment, or as nearly full-time employment as possible, to the regular workers of the company; that is, long-service employees and other employees, who, because of special abilities, will be needed by the company when business improves.

Nearly all of the companies follow the practice of spreading work before considering lay-offs of those who might be termed "regular employees." Even in such cases, however, they usually find it impossible, particularly in the case of large companies with several departments and plants, to have any single hourly point at which lay-offs will start. In one large company, for example, one department starts laying off workers at 24 hours, while in another department this procedure is started at 30 hours per week.

It is the opinion of leading employment relations managers who have been consulted that the policy adopted must vary as affected by such factors as—

(*a*) Location of the plant;

(*b*) Conditions in the community in which the plant is located;

(*c*) The type of operation (whether continuous process or not);

(*d*) The cost of replacing men after they have once left the company employ;

(*e*) The necessity and advisability of giving adequate protection to the company's long-service workers.

4. When you reduce the number of workers employed, do you, as a general policy, first lay off the workers who have been employed the shortest time—in other words, do the longer-employed workers get the preference?

Everyone answering this question states that seniority is invariably considered, but some point out that there are sometimes necessary exceptions.

In this connection it was also pointed out that there is usually a point in each community below which it is unsound to reduce the weekly earnings of a man with a family. It was also pointed out that it may be better to give some workers fairly full employment rather than to apply work spreading, for if the work spreading gets down to too low a point, then practically everyone will have to supplement his industrial income by relief or some other outside means. It was felt that it was better that some workers should wholly depend on relief or outside means, than to have all workers partly dependent.

5. Do you expect that the use of company reserves to provide employment this winter will be proportionately less than in the 1929–32 depression?

Some doubt was expressed as to whether many companies might be in as good a position to take care of their workers as they were in 1929.

6. How do you expect your company's business in the next 6 months will compare with the present level?

About one-third expect business to remain about the same. Another third expect improvement. Very few expect conditions to become worse, and a few others state that they certainly hope for improvement.

7. What do you think about business in your industry as a whole (not your own company) during the next 6 months?

About one-half expect improvement for their industry as a whole; a fourth expect conditions to remain about the same. Very few expect conditions to become any worse. The other replies express varying conditions.

8. Do you think there will be a definite upturn in your industry as a whole some time in 1938?

Two-thirds of the companies expect improvement before the end of the year. Opinion is about equally divided as to whether recovery will come in the first or the latter half of the year.

9. What do you think should be done immediately from the general relief standpoint?

All answering this question favored some form of public relief, either Federal, State, or local.

I should like to express for the record my appreciation for the cooperation of the businessmen who have so promptly and thoroughly filled out these questionnaires for the use of the committee.

The CHAIRMAN. We, at the same time, thank you for undertaking that inquiry because it is certainly a most comprehensive one, and a very interesting one.

With reference to the statement you made just a moment ago as to reserves—as a rule, do you think that in industry companies are drawing on reserves to continue maintaining organizations rather than laying them off?

Mr. CHESTER. Senator, I think they are, to a certain extent.

That brings up the question of what "reserves" are. I suppose we think of reserves in terms of surpluses.

The CHAIRMAN. I really had in mind the argument made, which always impressed me, the argument made with reference to the tax upon corporate surplus; that it would, by lessening the reserves, render it more difficult for the employer to maintain his organization when we have rainy days. Since we have started this hearing, I have been rather shaky in my view about it, because I have some doubt as to whether now, that we have a rainy day, that they have been using the reserves, and I would like to know what, in your opinion, is the status.

Mr. CHESTER. Well, it is a matter of record, of course, that during the, shall we call it the 1929 depression, and in the succeeding years, industry used some $28,000,000,000 to keep employment going. Undoubtedly, that came out of reserves, and it was presumably the opinion of management that reserve was necessary for the purpose for which it was put in there, which was either the purpose for which it was used, or for business expansion. It would seem only natural with that large amount of money taken from reserves that there had not been an opportunity to make any great replacements.

I think, insofar as this particular problem is concerned, it has much more effect on certain of the smaller companies than possibly it has on the larger ones.

Specifically, Mr. Chairman, is your question directed as to what I personally think?

The CHAIRMAN. As to whether a company should do it.

Mr. CHESTER. Should take out of their reserves to keep employment going?

The CHAIRMAN. Yes.

Mr. CHESTER. I think there is a very definite duty on the part of the management to keep employment going just as long as possible. However, if that means that you are going to put the company in jeopardy, then I think you have a pretty difficult problem.

The CHAIRMAN. I would agree with you. I do not think that could be done. Within the last few days I have had the mayor of one of the cities of the country tell me that he could note in his

community a disposition on the part of some business to quickly lay off employees now, because they believed that Government would provide for them through relief; that, whereas formerly they would make it a point to make some sacrifice out of reserves, in order to maintain the organization, that they are now more disposed to lay off men, believing that the Government will take care of them. Have you noted any such disposition?

Mr. CHESTER. No, sir. I have no particular knowledge of that. All that I will say is that I think that that is pretty bad practice.

The CHAIRMAN. I am heartily in agreement with you, because I think the maintenance of an organization from a purely selfish viewpoint is wrong, and that the selfish employer might say, "Having had fine business during the fall months, and not having any idea that I will need so many clerks in the store right now, I will part with some of them, and the Government, or the State and city will take care of them. I will be doing the employee no great harm." To the selfish man that argument may make some appeal.

Mr. CHESTER. Yes.

The CHAIRMAN. But I do not think it should.

Mr. CHESTER. I do not think that business, as a whole, subscribes to that. I would be very much shocked if it did.

The CHAIRMAN. Your idea is that in each business there must be a determination as to the number of hours, which will provide the worker with the equivalent of what he would get from relief, and if they ever reduce hours below that he will simply have to supplement his income by going to relief, and no good is accomplished, and there can be no legislation, and be no determination by all business as to the number of hours that should be worked.

Mr. CHESTER. No, sir. I think that is a problem for each individual company. Fortunately, in my own company we are not faced with that problem.

The CHAIRMAN. What schedules are the employees working?

Mr. CHESTER. May I just inject this point into the record, and I am reading it to be accurate:

> Since 1929 the General Foods Corporation has increased its number of employees in factories by 12 percent. Total pay rolls have increased 19 percent, although working hours have been reduced 15 percent, and prices have been lowered an average of 30 percent.

So we have not been faced with that problem particularly, as you see.

Senator DAVIS. If you were faced with that problem what would you do?

Mr. CHESTER. Senator, I would endeavor to maintain pay rolls to the last possible moment. Management has always got this continuous problem of balancing the four important factors in its operations in trying to do justice to all; and I am talking now about the public, about the stockholders, about the employees, and about the company's obligation to Government. Management is always trying to keep those in balance. That, naturally, enters into it.

Senator DAVIS. What would you say was a sane surplus for a company to have per worker?

Mr. CHESTER. That is a difficult question. If the figures are correct that it takes $8,000 invested capital for each worker, as it does in some industries, I would like to develop that question and amplify

it in a further report rather than to give a curbstone opinion. It seems to me that it is a little bit intricate.

Senator DAVIS. Would it be possible for the General Foods Corporation to give a study to that particular proposition——

Mr. CHESTER. We will be delighted to.

Senator DAVIS. And submit it to to us within the next 10 days?

Mr. CHESTER. We will be delighted to do that, Senator.

The CHAIRMAN. With reference to your statement about the use of reserves to the extent of $28,000,000,000, is it not true that from 1929 to 1932 industry, as a whole, certainly took in more cash than it paid out, and that in 1932 the reserves were higher than in 1929?

Mr. CHESTER. I would not be surprised if that was so. I do not know. Of course, in a declining business the cash does come in. As you liquidate your inventories your cash position improves, but statistically I have not that information.

The CHAIRMAN. All right. I will not press it. You mentioned inventories. How about your own inventories in your own business at this time?

Mr. CHESTER. Well, we closed the year out with larger inventories than we wished we had. We are in a situation where we have to carry substantial inventories. One of our products is a coffee product. We have to import our coffee long distances. We have in our warehouses a sufficient supply, which is at least 60 days', to meet the consumer demand.

The CHAIRMAN. Was it abnormally large?

Mr. CHESTER. No, sir. I would not say that it was abnormally large. There was a time during the year when it was abnormally large, but it was gradually reduced. We did have to face the possibility of a strike in our Maxwell House plant, and, as a matter of fact, we had it. I think that caused us to feel that we should be fortified against the possibilities of that situation.

The CHAIRMAN. At this time they are being reduced?

Mr. CHESTER. Yes, sir.

The CHAIRMAN. How about industry, as a whole, as a result of your inquiries or your observation?

Mr. CHESTER. There was not any question but that inventories, at the beginning of last year, from statistics that have been furnished me, were higher than normal, and that was probably still true at the end of the year. I have some figures on that, if I may give them.

The CHAIRMAN. I would like to have you give them to us. I think you will agree that as inventories are reduced the situation is more encouraging.

Mr. CHESTER. Oh, definitely so. This does not seem to be amplified. The net of it is that most supply-demand factors are not unfavorable now. Last summer supplies, generally, were out of line. There was a feeling of a fear of inflation, and higher labor costs, and material costs, which entered into the building up of inventories last year. I have some statistics somewhere on that. I will try to look them up and give them later on in the discussion.

The CHAIRMAN. What about prices, insofar as your own company is concerned?

Mr. CHESTER. Prices, as I stated, are down 30 percent since 1929.

The CHAIRMAN. Has there been any change in the last 6 months?

Mr. CHESTER. Not appreciably. For example, we cut our coffee prices the other day. However, that is a market situation, which is adjustable, based on the coffee market.

The CHAIRMAN. Would a reduction of prices tend to help to move these inventories?

Mr. CHESTER. Yes. I do not know that it would so much in that situation, because it becomes general. That is the general practice in the coffee industry, that prices are determined by the cost of the green coffee, to a large extent.

The CHAIRMAN. Taking industry as a whole, certainly in some lines there have been reductions in prices.

Mr. CHESTER. Yes, sir.

The CHAIRMAN. While in others there have been no reductions.

Mr. CHESTER. I am sure that that is correct.

The CHAIRMAN. What is your own opinion as to what effect it would have upon the present situation if there was a reduction in those lines, as tending to increase consumption?

Mr. CHESTER. That is a pretty broad and comprehensive question. I would not know in a certain industry whether or not prices could be safely reduced, and whether that fact would stimulate consumption and purchasing, but if we have all the factors involved, and analyze them we may get a definite answer. Why the consumer is not buying today may not be solely because he thinks the price is too high.

The CHAIRMAN. Would not you think, from your statement awhile ago, with which I agree, that last spring it was thought that we were going to have inflation, and in many lines they were afraid of labor troubles, and these inventories were accumulated at a time when the manufacturer believed that there would be inflation and increased commodity prices—now, we know that we have no increased prices for commodities as far as the agricultural population is concerned; we have labor working short hours, and, necessarily, it would seem that they are less able to purchase these inventories produced in the way you have indicated. The purchasing power is not there, is it?

Mr. CHESTER. That is correct.

The CHAIRMAN. Either that purchasing power has to come up to it, or those prices have to come down.

Mr. CHESTER. That is perfectly true. I can give you my own personal philosophy, and that is that I think a general trend toward lower prices is the logical way out. I do not think a lot of industrialists agree with that, but that is my own personal opinion. Our company's trend has definitely been in that direction, as I have indicated.

It is difficult to say whether any particular industry at this time should reduce its prices without knowing what its cost factors are, and whether that might or might not work a hardship on it. I do not think a company should operate in red ink to accomplish this thing. I think that the management has to face that problem.

The CHAIRMAN. Of course, you have been kind enough to give some thought to the subject, and I am making this inquiry: What do you think that the Congress can do, specifically, to help this situation?

Mr. CHESTER. May I discuss it very frankly, Mr. Chairman?

The CHAIRMAN. Yes. I want you to. That is the only reason I asked you. We are not attempting to prove anything. We may not agree with all of your views, but we would like to have them.

Mr. CHESTER. I appreciate that. I am not versed in politics or statesmanship, and it may seem presumptuous for me to make any suggestion. I visualize the situation in this country today as serious, and however we may analyze the reasons for this present recession, I feel there is one very definite factor in the picture, and that is that the public, at large, is pretty much fed up with the fact that Government, business, and labor cannot get together and work out something. If that is true, I begin to wonder what we are all after. What is really the objective that we are trying to reach?

I had occasion to revert to a statement of principles that were put out by my association a year and a half ago—a year or 13 months ago. May I read it?

Mr. CHAIRMAN. Yes.

Mr. CHESTER (reading):

> The basic principles of American industry—better living; better housing; more of the necessities, comforts, and luxuries of life; steadier work; more certainty of a job; more security for old age—these are the natural desires of every human being. They are the progressive objectives of American industry.

I cannot conceive that that is not the objective of the Congress of the United States, and the objective of every right-thinking man and woman in the country. If that is all true, and those are our objectives, I think we ought to get together and put these objectives into effect.

The CHAIRMAN. Go ahead.

Mr. CHESTER. In the first place, I think we have got to clear the atmosphere. I think somebody ought to distribute prizes on this mud-slinging contest and call it a day and begin all over.

The CHAIRMAN. That is, perhaps, a good suggestion.

Mr. CHESTER. If we could get that out of our system and then sit down and constructively head in toward this program, I think it would do some good. Business is anxious and desires to lend all its experience and try to make constructive suggestions. We have got some. We put them out last December. We said then, "If they are not right, we will change them."

The CHAIRMAN. You will agree that none of the three groups referred to has any monopoly on the mud-slinging, will you not?

Mr. CHESTER. I agree to that.

The CHAIRMAN. And you want an armistice?

Mr. CHESTER. Right; and I am not attempting to absolve business. But I realize that this country has been running at a deficit for 7 years. The President talks of an objective of 90 billions of dollars——

The CHAIRMAN (interposing). National income.

Mr. CHESTER. National income. We will never approach it until we all work together, and I think it is time we started, and I think business—I know it is ready to go, and we don't want anything out of it. We haven't any political ambitions. All we want to do is to get going, and we are ready to go places and do anything we can to bring that result about.

I know I speak for our organization, so far as that is concerned.

Senator DAVIS. Are you of the opinion that Mr. Ickes' and Mr. Jackson's speeches have been helpful in getting us together?

Mr. CHESTER. Well——

The CHAIRMAN. Let me add this—are you of the opinion that that is so, or are you of the opinion that some of the speeches made by big-business men have been of help?

Mr. CHESTER. I don't think any of that kind of thing is of help.

The CHAIRMAN. If Congress could prohibit speeches maybe it would be all right.

Mr. CHESTER. Maybe somebody could say something constructive.

The CHAIRMAN. That is why I am talking to you, and that is why we have been endeavoring to conduct these interviews with representatives of business and labor.

Senator DAVIS. What is the consumption of coffee in the United States today?

Mr. CHESTER. Mr. Francis has all those figures.

Mr. FRANCIS. One billion four hundred million annually, I think.

The CHAIRMAN. You went off on such a very interesting sidetrack with me that you were about to cause me to forget that I did ask you if you could make any suggestions that Congress could enact into law.

Mr. CHESTER. I think some of the laws that Congress passed are not helpful.

The CHAIRMAN. To be specific, what?

Mr. CHESTER. I think that the surplus-profits tax has not been helpful. I am wide open-minded on it. Maybe I don't know all the facts.

The CHAIRMAN. Sure, you are open-minded.

Mr. CHESTER. I hope I am.

The CHAIRMAN. But the Congress is now considering that matter, as you know.

Mr. CHESTER. Yes, sir.

The CHAIRMAN. Over in the House, where revenue bills originate, a bill is under consideration which tends to modify that particular tax. Are you familiar with the modification?

Mr. CHESTER. Only generally.

The CHAIRMAN. Then I will not ask you to go into it. You started to say something about the capital-gains tax.

Mr. CHESTER. Yes, sir.

The CHAIRMAN. All you would advocate there, I assume, is that the taxpayer be given the right to deduct losses as well as being taxed on gains. You wouldn't abolish the whole thing, would you?

Mr. CHESTER. I am not so sure, Senator. We appreciate your problem from the standpoint of raising income, but the question in my mind is whether you realize that a tax—and particularly applicable to business capital that might flow from it—and again——

The CHAIRMAN. But as to capital gains, you will agree that we must raise 7 billion dollars?

Mr. CHESTER. Yes, sir.

The CHAIRMAN. It has to come from somebody.

Mr. CHESTER. Yes, sir.

The CHAIRMAN. If that tax doesn't come from the man who has a capital gain amounting to hundreds of thousands of dollars, we

can't get it out of the fellow about whom we have been talking, whose income is 10 or 15 dollars a week. If a man makes a capital gain he really has no objection to paying a tax on it, has he?

Mr. CHESTER. I am not approaching it from that angle. It is a question of whether so much capital is not frozen on account of that tax that might be released into industry and produce more. If we are going to have 90-billion-dollar income we have got to produce more. That is the only answer anybody has ever found.

The laboratories of this country are simply bursting with new ideas. We are on the verge of the greatest upward movement this country has ever seen, if we can get together and get enough capital to do it. The capital is there, but it is frozen. That is all I have in mind; not to absolve somebody who is competent to pay something in taxes. Please, I am not advocating right away the repeal of this tax. Possibly—well, I think it ought to be modified, and possibly it may be better, after study, to repeal it.

The CHAIRMAN. Do you consider a tax upon business for social security and old age, and an equal tax upon the States for unemployment inimical to business?

Mr. CHESTER. I don't think so. I think it is a definite part of their duty.

The CHAIRMAN. And you don't know of any other way it can be done? If we are to attain those objectives certainly those things should be done?

Mr. CHESTER. That is right.

The CHAIRMAN. And as I said, you don't know of any other way in which it can be done.

Mr. CHESTER. No, sir. I think business can take anything "on the chin", if they know what the rules are. That is one of the difficulties.

The CHAIRMAN. You want to know what the rules of the fight are?

Mr. CHESTER. We certainly do. We don't want to be penalized without knowing what the rules are.

The CHAIRMAN. I am not going to quarrel with you on that.

That is all, Mr. Chester.

(Mr. Chester subsequently forwarded the following statements:)

INVENTORY SITUATION

Many manufacturers increased their inventories during 1937. But for manufacturing as a whole the accumulation of inventories of finished goods does not seem to have been excessive.

For the first 10 months of 1937 the inventories averaged 4.8 percent less than during the year 1936.

And during 1937 the inventories averaged largest in the first 3 months, although the largest single month was October.

We find, moreover, that in 1937 average inventories were approximately the same as in 1934, although production averaged 50 percent higher.

Raw material inventories averaged 3 percent less in 1937 (first 10 months only) than in 1935, even though manufacturers needed more raw materials, since their production was 12 percent greater.

So far as manufacturers as a whole are concerned, therefore, there does not seem to have been any undue accumulation of inventories in 1937, either of their own products or of the raw materials they use in production.

If any excess inventories have been a substantial factor in the depression, it was probably in certain phases of distribution.

Department store stocks for the first 10 months of 1937 averaged 13.4 percent higher than during the year 1936, being larger, moreover, the latter half of 1937 than the first half.

There is attached hereto three series of tables. The first shows the stocks of raw materials, the second shows the stocks of manufactured goods, and the third shows department store stocks.

In connection with the inventory problem it may be noted that Gen. Robert E. Wood, testifying before your committee, stated in his opinion that inventories in general would be down to normal in 30 days, and that the depression, so far as consumer goods are concerned, would be over by March or April.

With reference to the main cause for increased inventories two primary reasons have been advanced; it seems that both of these have entered into the situation.

(1) The prevailing point of view, according to most discussions, has been that inventory increases have been primarily due to the fear of labor difficulties. Manufacturers, it is claimed, who have feared that they might be confronted with labor troubles in their own plants and consequently be unable to produce goods to supply their customers, have stimulated production and increased inventories of their own product. It is claimed that they have likewise been afraid that their suppliers might be confronted with labor troubles and unable to supply them with materials, and that they have consequently increased their stocks of raw materials.

(2) On the other hand, there are some very competent observers who maintain that the increase in inventories has been due primarily to a belief that inflation was inevitable and subsequently inventories would show substantial profits. Dr. Lionel Edie, consulting economist, declares:

"In the early part of this year (1937), the great majority of businessmen made a composite error of calculation. They worked on the premise of runaway inflation, and, growing out of that premise, they proceeded to build up inventories, to make extraordinarily large formal commitments, and to overlook the fact that while they were doing all this credit contraction was taking place underneath.

"The inventory excesses which piled up in the early part of this year will, in large part, have been corrected by the end of January. The level of steel production which was at a very high point in the early part of this year is now down to about 25 percent of capacity. The low point in 1932 was 18 percent of capacity. Suppose it goes down to 20 or 18, or any other figure. steel production is approximately at bottom, and it would be quite an amazing thing if, between the low point of December and the high point of April and May, steel production should fail to double or to triple.

"This recession, as a result of the inventory readjustment, has been accompanied by an extreme decline in raw material prices. The basic raw materials today, expressed in terms of the devalued gold dollar, are practically at the 1933 bottom. The statistical position of these commodities is of such a nature that it is entirely reasonable for a turn-around to come about in these basic raw material prices between the present point and the spring of 1938."

Corporate Surplus

It is not difficult to estimate the amount of surplus any one business organization should require at any given time. In the case of General Foods Corporation, in its most recent audited annual report, published in March 1937, earned surplus was $19,766,858. Many people assume that earned surplus is represented by cash. In the case of General Foods, cash on hand and in banks was $6,363,200. The assets of a corporation, of course, usually consist largely of items other than cash, such as inventories; land, buildings, machinery, and equipment; investments and accounts receivable. From these must be deducted acceptances and drafts payable, accounts payable, accrued salaries and wages, accrued taxes, and numerous other liabilities.

In the case of General Foods Corporation, earned surplus represents slightly less than $2,000 per employee. Our actual amount of cash on hand amounted to $636 per employee, but of course there were numerous current liabilities, such as accrued taxes, accounts payable, etc. In our type of business, public consumption is comparatively steady and turn-over of products fairly rapid. In some types of enterprise, however, consumption is erratic and turn-over likely to be slow, hence larger surplus is likely to be needed per capita employee. Even here it is difficult to generalize, because of the varying types of operation. In two companies with the same volume of business, the number of employees required may vary greatly depending on the nature of the operation and the degree of mechanization.

While the surplus of General Foods may be considered ample for merely maintaining the current level of its activity, there is another vital factor to be considered. General Foods happens to have developed new processes and products for which there is a tremendous latent public demand. To expand the new

activities with consequent increased employment, purchase of large quantities of new machinery and equipment, and purchase of great supplies of special agricultural products, a large amount of money is necessary. As a result of Federal tax policies, combined with large write-offs at the end of 1937 due to inventory depreciation, General Foods during the past year took in less than it paid out in dividends to 67,000 stockholders; salaries, wages, purchases of materials; and other expenses and charges.

It is generally conceded that a young, growing company needs to be protected in the building up of reserves and surplus to permit expansion. But it also should be realized that many of the larger and older companies also need to be allowed to build reserves and surplus for expansion which would be in the public interest. If it can be worked out, I believe that taxes should be calculated for the specific encouragement of those business organizations which would, as a result, create new employment, improved products and services, and new wealth for the Nation, hence providing more incomes for tax purposes. It seems that any arbitrary classification as to mere size is aside from the point, when the objective is to increase business activity, encourage investment and employment, and stimulate national wealth.

To set an arbitary amount of surplus based on number of employees for all types of businesses would obviously result in many inequalities, because there is such wide variation of problems in different industries. It is conceivable, however, that through economic studies could classify industries in various groups. taking all economic factors into considertaion, with the result that approximate standards might be established as to the proper amount of reserves and surplus. Also proper study might disclose sound ways of calculating taxes so that businesses will not be hampered in the creation of new business activity and new national wealth.

STATEMENT OF ARTHUR G. ROTCH, VICE PRESIDENT, BOSTON COUNCIL OF SOCIAL AGENCIES

The CHAIRMAN. All right, Mr. Rotch.

Mr. ROTCH. Senator, I have a questionnaire from the committee.

The CHAIRMAN. Suppose, if you have prepared answers to a questionnaire that was forwarded to you by the committee, you read that, please.

Mr. ROTCH. Shall I repeat the questions as they go along, Senator?

The CHAIRMAN. Yes; go ahead; otherwise it will not be clear.

Mr. ROTCH (reading):

A. FACTS RELATING TO DEGREE OF RECENT UNEMPLOYMENT TREND

A (1) IF UNEMPLOYMENT COMPENSATION HAS STARTED, HOW MANY PERSONS HAVE REGISTERED AS BELIEVING THEY ARE ELIGIBLE FOR BENEFITS?

One hundred and eighty-four thousand six hundred and ninety-three applications have been received by the Massachusetts Unemployment Compensation Commission through January 14, 1938.

Exact statistics are not yet available. It is estimated that 130,000 will be eligible for payment.

A sample study of the first 6,000 applications shows that the most usual payment—about one-third of the total—will be $8 per week for 5 weeks. These payments are based on individual work histories for 9 months of 1937.

It is estimated that those of the 184,000 shown to be eligible for compensation payments will receive at least $6,000,000 in checks which will be issued on and after February 1. It is also estimated that $20,000,000 or $21,000,000 will be paid out in the course of the year 1938.

A sample group of 1,500 applicants in 8 or 10 cities and towns, studied for occupations, showed—

	Percent		Percent
Office workers	9	Unskilled workers	31
Skilled tradesmen	48	Miscellaneous	2
Building trades	10		

Of these 1,500 applications, 79 percent were men, and 21 percent were women.

The number of applications in the different cities of the State are shown in the following table:

Northampton	1,915	Quincy	2,304
Greenfield	1,128	Brockton	4,274
North Adams	4,539	Norwood	1,351
Pittsfield	3,364	Fall River	10,586
Springfield	11,381	Attleboro	2,061
Chicopee	2,218	Taunton	2,884
Holyoke	3,866	New Bedford	15,778
Worcester	12,091	Plymouth	657
Milford	4,707	Lynn	5,885
Webster	3,428	Gloucester	897
Fitchburg	4,673	Salem	5,669
Athol	798	Boston:[1]	
Lowell	11,620	East Boston Airport	2,938
Lawrence	13,765	Charlestown Armory	1,159
Haverhill	3,694	Irvington St. Armory	4,896
Newburyport	1,092	East Newton St. Armory	11,825
Malden	4,514	Commonwealth Armory	2,132
Medford	1,503	Chelsea	1,761
Somerville	3,317	Revere	1,340
Woburn	1,222	Cambridge	4,319
Waltham	1,405		
Marlborough	3,915	Total	184,693
Newton	1,814		

[1] Total for Boston, 22,950.

A. (2) IF COMPENSATION HAS NOT STARTED WHAT IS THE GROWTH OF UNITED STATES EMPLOYMENT SERVICE FIGURES BY MONTHS FROM SEPTEMBER THROUGH DECEMBER 1937 IN ACTIVE FILE OF REGISTRANTS SEEKING WORK?

Although compensation payments are about to start, figures for registrants at the State employment service office are given as follows:

Massachusetts State Employment Office—Number[1] on active file of registrants, September–December 1937

September	131,691	November	127,708
October	128,208	December	147,261

Complete figures for the State employment service for 1937 are as follows:

[1] These figures are found again in the table below.

State employment office, 1937

	New applications [1]	Active file	Placements [2]	Relief recipients placed in private industries
January	4,982	156,711	1,681	196
February	4,299	[3] 194,124	2,013	370
March	4,038	148,075	2,385	436
April	3,683	150,935	2,804	309
May	3,673	147,856	2,732	287
June	5,013	143,586	2,375	221
July	3,924	133,125	2,128	236
August	4,456	133,658	2,405	278
September	5,143	131,691	2,566	292
October	5,957	128,208	1,889	203
November	6,519	127,708	1,317	113
December	[1] 15,701	[4] 147,261	955	[5] 95

[1] Renewals are included in "active file."
[2] Placements include public projects and private industry.
[3] Beginning February 1937, Brockton, Fall River, Fitchburg, Lawrence, included.
[4] Due to W. P. A. increases and Unemployment Compensation registration.
[5] Incomplete.

The State employment service maintains offices in 42 cities. The State employment service has absorbed every office of the National Reemployment Service. Comparable monthly statements are summarized for each month of 1937 for only 14 of these offices. These are the figures on the preceding page.

A. (3) BY THE SAME MONTHS WHAT IS THE TREND IN EMPLOYER REQUESTS FOR WORKERS?

Information concerning employer requests is not available at the State employment office. However, the placements practically coincide with requests.

A. (4) WHAT OTHER SPECIFIC INDEXES OF CHANGES IN EMPLOYMENT CAN YOU GIVE?—(*a*) ANY COMMENTS ON NOVEMBER VOLUNTARY CENSUS

Voluntary census of November—Massachusetts

Total		327,619
Unemployed		248,848
Men	162,052	
Women	86,432	
Working on W. P. A., N. Y. A., C. C. C., or other emergency work		79,135
Men	62,428	
Women	16,707	

A reliable informant is of the opinion that, despite all that was done to prevent it, two factors tend to interfere with the accuracy of the census.

(*a*) Many housewives registered as unemployed and willing to work.

(*b*) Many people returned unemployment blanks in the belief that they are thereby automatically eligible for relief or that they are registered for employment.

A. (4) (*b*) ANY OTHER CENSUS OR FIGURES ON EMPLOYMENT TRENDS WHICH YOU CONSIDER IMPORTANT TO SHED LIGHT ON THE SITUATION

The Massachusetts State Department of Labor and Industries maintains two significant series of index numbers for persons employed and for wages paid for manufacturing in 1,758 representative establishments.

	Persons employed		Wages paid			Persons employed		Wages paid	
	1937	1936	1937	1936		1937	1936	1937	1936
September	[1] 81.1	79.8	78.7	70.3	November	72.1	81.6	65.9	73.6
October	78.9	80.4	72.4	71.4	December	68.2	83.6	62.0	79.9

[1] Base number = 100 = average for years 1925-1927.

B. Facts Relating to Unemployment Compensation

B. (1) IF EFFECTIVE IN YOUR STATE—(A) WILL NEED FOR RELIEF DIMINISH FROM FEBRUARY THROUGH JUNE 1938—(1) IF SO, WHY?—(2) IF NOT, WHY?

It is impossible to answer this question with any degree of accuracy. The chief factor which will influence the upward or downward swing will be that of employment. The Massachusetts Unemployment Compensation Commission has been in active operation for less than a month, and has available only estimates based on small samples. It seems logical to suppose that some of the $6,000,000 which will be paid out to this first group of applicants should make some reduction in relief payments. However, it will undoubtedly be affected by the present inability of Department of Public Welfare to check cases with the Massachusetts Unemployment Compensation Commission.

It is usual for relief to go up at the end of the year, and to decrease in the spring months of the ensuing year. In 1937, however, the rise was greater than in 1936.

B. (1) IF EFFECTIVE IN YOUR STATE—(B) HAVE YOU ANY EVIDENCE OR ESTIMATE SHOWING THE NUMBER OF PEOPLE THAT WOULD RECEIVE RELIEF IF COMPENSATION WERE NOT A FACTOR?

How nearly the group receiving unemployment compensation coincides with the relief group is not known. The only statement which the Massachusetts Unemployment Compensation Commission could make on this is that the group waiting to apply for compensation did not look like a group waiting in the overseers' office. Only 31 percent of the sample group of 1,500 applicants were unskilled laborers. This percentage seems to be significant in view of the well-known fact that relief recipients generally, and W. P. A. workers also, are made up, in much greater proportion of unskilled workers.

B. (1) IF EFFECTIVE IN YOUR STATE—(A) HAVE RELIEF AGENCIES AND UNEMPLOYMENT COMPENSATION BUREAU WORKED OUT COOPERATIVE RELATIONS—(1) IN RESPECT TO NOTICE REGARDING PAYMENT OF INDIVIDUAL CLAIMS—(2) IN ANY OTHER WAY?

Under the existing law it is not permissible for the Massachusetts Unemployment Compensation Commission to give information to other agencies concerning persons receiving compensation. Recognizing the anomoly of this situation, the unemployment compensation commission has filed a bill with the legislature to correct it. So also has the recess committee on taxes and administration.

Personally, I think the unemployment compensation group has been employed, and have saved something and will not appear on the relief rolls for some time, particularly as the larger proportion are in the skilled group where their earnings have been larger. It is a difficult thing to give any actual estimate where you cannot check your figures, and, under the law in Massachusetts, the compensation group cannot give figures to the welfare group.

The CHAIRMAN. What is the reason for that?

Mr. ROTCH. I don't know why they put it in the law, sir, but they did, probably considering it is confidential information, and I go on to say that there are two bills in the State legislature to correct that.

The CHAIRMAN. Don't you think it is absolutely essential that there be a tie-up between the two organizations?

Mr. ROTCH. Absolutely essential.

The CHAIRMAN. It is always difficult to get it, difficult to enact a law enforcing two departments to be on speaking terms, but I never heard of passing a law prohibiting that they be on speaking terms.

Mr. ROTCH. They simply passed a law prohibiting them giving the information to somebody else.

The CHAIRMAN. Then the author of the law wanted to have the information regarded as confidential, but it had this effect.

Mr. ROTCH. That's right, but it had unfortunate results.

C. WILL PUBLIC ASSISTANCE CATEGORIES HAVE ANY NEW EFFECT ON YOUR SITUATION OR ARE THEY ESTABLISHED ALREADY ON A BASIS WHICH WILL NOT CHANGE MATERIALLY IN 1938?

Briefly state situation with respect to:

1. Old-age assistance.
2. Aid to dependent children.
3. Aid to the blind.

A. L–2–3. It is doubtful whether payments for categorical relief will effect the general relief situation to any marked degree unless changes are made in the laws.

1. Two possible changes in the old-age assistance law which would bring considerable increases would be—

(*a*) The reduction of the age limit to 60; (*b*) the modification of the responsibility of children for the support of parents.

There is no evidence to show that this law will be changed.

The upward curve for old-age assistance payments will be seen (chart, p. 5, D. P. W. Report) to be flattening out.

2 and 3. The numbers and the amounts are so small and the trends for aid to dependent children and to the blind so steady that they will have little or no effect on the general relief picture.

D. STATE AND LOCAL RELIEF FACILITIES AND RESOURCES

1. Give relief case-load figures for September–December 1937 by months.

Massachusetts Department of Public Welfare—Dependent aid—Case load, 4 months, 1937

September	57,377
October	59,511
November	69,250
December	[1] 80,486

[1] Estimated.

2. Give relief expense (amount aid given) September–December 1937 by months.

Massachusetts Department of Public Welfare—Dependent aid—Four months' relief payments, 1937

September	$1,561,355
October	1,615,071
November	1,957,272
December	[1] 2,540,339

[1] Estimated.

3. Give number new and recurrent cases accepted September–December 1937 by months.—Impossible to obtain.

Then you have some general questions which I had not written out which I would like to speak on, No. 4 to No. 8 here, asking what we predict.

PROJECT ESTIMATES, JANUARY TO JUNE 1938, BY MONTHS

It is impossible to answer that question and the next three. The whole question hinges on what is business going to do in the next 3 or 4 months. Personally I would believe that the estimates for relief would be higher, because the curve has gone up so sharply between November and December, but in a State like ours, largely industrial, with the textile business, if somebody can tell me what the textile business will do in the next 3 or 4 months I could give you an answer to that.

The CHAIRMAN: You mean a larger proportion of your unemployed are in the textile business?

Mr. ROTCH. Yes, sir; a great number are in the cotton and the shoe industry, very large numbers; and our whole relief problem is to a great degree dependent on those industries.

The CHAIRMAN. How many employees in the cotton textile industry have you in Massachusetts? Have you any idea?

Mr. ROTCH. I cannot tell you that figure, sir.

The CHAIRMAN. All right.

Mr. ROTCH. But we have many of our large cities up there that are cotton textile cities, and some shoe cities.

Senator DAVIS. What is the average year's work of the textile worker in Massachusetts? Does he work 7 months out of the year?

Mr. ROTCH. It depends on the year, sir, so much. Now, up until September I should have said they had a pretty good year in the textile industry. Things were getting pretty good, going along pretty well, and, as we all know, things began to take a turn from then on, and mill after mill shut up.

The relief loads of those cities immediately reflect that.

The CHAIRMAN. Would you wish to go ahead with that statement?

Mr. ROTCH. I am awfully sorry I cannot answer any better than I have those four questions. If I knew what business was going to do, I could do better for you. Always in the spring in those northern counties up there outside work picks up, and we generally get some relief, but I should say in general that our relief load will be bigger by a considerable extent this year than it was last. I think I did not quite finish. No; I had gotten down to the very interesting question about "Have your present standards of relief been reduced? How much?"

Relief standards have not been reduced during the present business recession.

10. What percentage of your relief load did you consider employable from January 1, 1937, to June 30, 1937—by months or average for period?

Massachusetts Department of Public Welfare, dependent aid, 1937 [1]

	Total cases		Employables		Unemployables	
	Number	Percent	Number	Percent	Number	Percent
January	65,580	100	47,362	72.2	18,218	27.8
February	65,120	100	46,565	71.5	18,555	28.5
March	62,843	100	44,322	70.5	18,521	29.5
April	57,787	100	39,503	68.3	18,284	31.7
May	51,938	100	33,995	65.4	17,943	34.6
June	51,320	100	33,884	66.0	17,436	34.0

[1] Average for 6 months. Employables, 69.3. Unemployables, 30.7.

11. What percentage of your December 1937 load do you consider employable?

Massachusetts Department of Public Welfare, dependent aid, December 1937

	Number	Percent
Employables	58,414	72.6
Unemployables	22,054	27.4
Total	80,438	100.0

12. What is your definition of employability?

Massachusetts Department of Public Welfare figures are divided into "employables" and "unemployables" according to the following definitions:

Employable case: An employable case is one containing one or more persons between the ages of 16 and 64, inclusive, who is working or seeking work and is healthy enough in body and mind to

accept and perform gainful employment. A person who is needed in the home to care for minor children or other dependents should not be regarded as seeking work and thus should not be classified as employable. Employable cases are divided into (1) those with no worker gainfully employed in the month, and (2) those with one or more members gainfully employed in the month.

Unemployable case: An unemployable case is one in which there is no member between the ages of 16 and 64 inclusive, who is working or seeking work and who is healthy enough in body and mind to accept and perform gainful employment.

13. Are people on direct relief now required to register at employment service if they are employable?

All persons receiving direct relief from the Boston Department of Public Welfare are requested to register at the State employment service. This is enforced by requiring clients to show registration cards from the State employment service, stamped with different dates.

No information concerning the practice in other cities and towns is on hand either at the Massachusetts Department of Public Welfare or at the State employment service.

The CHAIRMAN. Don't you think it would be a good thing?

Mr. ROTCH. I think it would, sir, but it is somewhat difficult to make a client go to a neighboring town some miles away, but they could send cards, and some of them do, in other words, register themselves.

Senator LODGE. There are not enough employment officers yet to make it really convenient?

Mr. ROTCH. It is not convenient; that is the difficulty. It is safe to assume, however, that wherever there is a branch office of the State employment service registration would probably be required. As to the rest of the State, no information as to the practice is at hand.

14. Are your welfare agencies conducting any kind of unemployment service?

The Boston Department of Public Welfare has an unemployment section to find jobs for its clients. Six hundred and sixty-five placements were made during 1937.

There is no information available for other departments throughout the State. Again, if there were some tie between the offices, when the man reported to you and he was examined, put upon relief, the same might be very easily reported to the employment service without making that man travel to another town to do it.

Mr. ROTCH. That is what should be done, but they do not do it. That is the trouble.

The CHAIRMAN. Instead of putting him to the expense of going to some other place.

Mr. ROTCH. You see, that is the way it started out. A man was supposed to go and register himself, but it did not work out when he had to go any distance.

Senator LODGE. Couldn't there be registration by the people who are the employment officers?

Mr. ROTCH. I have something to say about that in connection with my general statement.

I have W. P. A. figures; but Colonel McDonough is coming on after me, and he will give those figures.

The CHAIRMAN. What is your opinion as to the coordination of these services?

Mr. ROTCH. May I read the statement, sir?

The CHAIRMAN. Yes.

Mr. ROTCH. This sounds a little funny here, because I have been talking, but I want to thank the committee for this opportunity to present the ideas of a group of citizens from Boston. I represent the Community Federation of Boston and the committee on public relief of the Boston Council of Social Agencies. For 20 years I have devoted practically my entire time to welfare work. I was New England division manager of the American Red Cross after the war and was assistant administrator for Massachusetts of the C. W. A. and E. R. A., and then E. R. A. and W. P. A. administrator. I am on the boards of 18 of our welfare agencies in Boston.

I believe in the platform of the National Committee on Mobilization for Human Needs. I think there should be a grant-in-aid basis for Federal funds, with certain standards set by the Federal Government in regard to the use of these funds by States and local communities. Funds should be granted to States based on the comparative need of the States, taking into consideration what each State can raise itself.

I must interject there that that is not the opinion of my relief committee in Boston. They think it should be on a matching basis with some substantial equalization fund that would take up the slack in those States that we know cannot raise as much as the others. From my experience, however, with Mr. Hopkins over a number of years, and, of course, it is only in one State, I feel that he has done a fine job in making the grants to the States based on their needs. If your equalization fund is large enough so all the factors could be taken into consideration, then I would agree with that basis for Federal funds.

In the fall of 1934 Mr. Hopkins discussed with me his plan for changing the method of administering Federal money for relief from grants-in-aid to the States for relief and work relief to a works program conducted by the Federal Government on a security-wage basis. At that time his plan seemed to me a good one. I thought then, and I feel quite sure that he did, that the result would be that all the employables on the relief rolls could be taken off relief and put to work on projects at security-wage rates. It turned out, however, that large numbers in Massachusetts, and I am sure in the other States, could not be taken off the relief rolls because the funds supplied by the Federal Government were insufficient.

The result has been that a preferred class of employable relief recipients has been set up—those employables needing relief who are fortunate to get on the W. P. A. rolls. The rest have had to stay on local relief rolls because of lack of funds.

Senator LODGE. Even though they are just as deserving in every way?

Mr. ROTCH. They are the same kind of people.

This state of affairs will be even more pronounced this winter because of the present recession; many employables will have to seek help—they will turn to the local relief authorities and there will be little chance of their getting on the W. P. A. because there are already large numbers on direct relief who have been hoping for the oppor-

tunity to get on the W. P. A. and who have a priority position over the newcomers.

I also feel that many on the W. P. A. now feel that the Government should continue to support them and do very little to seek jobs in private industry and take care of themselves.

In regard to the cost—the security wage is much higher than the ordinary allowance on a relief basis. I do not think that the country in its present situation can afford to give more than a just and reasonable relief grant. Single men and women in their particular security-wage classifications receive the same as heads of families, both small and large. It is clear that if we went back to the basis of need in each individual case, such as applied under the E. R. A., we should be able to take care of many more people with the same amount of money, perhaps one and one-half for every person that we now care for under the W. P. A.

I believe in work relief. I am sure it sustains morale. But I believe in it only where worthwhile projects can be created and where there are persons qualified on the relief rolls to staff the projects. I believe that the local communities should decide whether they have available worthwhile projects, and they should not be forced to use all the money coming into their community for projects they do not think are of help or economically sound for their communities.

The CHAIRMAN. Just one minute. The local governments propose the projects, don't they?

Mr. ROTCH. Yes, they do; but they have to use all the Federal money for the projects on the present basis.

The CHAIRMAN. That is for work relief?

Mr. ROTCH. They decide on the projects, true, but I think that many of them would rather not do some of the projects and use some of the money for direct relief.

The CHAIRMAN. Oh, yes; go ahead.

Mr. ROTCH. I think the Federal Government might require some proportion of their funds be used for work relief, allowing the community to use all the Federal funds for work relief if they found it to their advantage to do so. In some communities it might be found impossible to use funds for work relief and exceptions might be made in such instances. For example, the city of Fall River, Mass., with large numbers on relief because of the closing of the mills, a city in rather desperate straits financially, might find it very difficult to finds projects on which mill operatives could work and might find it difficult to raise the funds to finance the material costs.

Now, I had that difficulty in Fall River. It was very difficult, in my day, to find projects on which mill workers could work.

The way out of the difficulty, it seems to me, is to bring about a genuine partnership betwen Federal, State, and local governments, each doing what it is best qualified to do. This would mean that the job of the local government would be to take care of the direct administration of relief programs, both work relief and direct relief. Its function should be carried out, however, not independently and solely according to the ideas of local authorities. This might mean that we should find we had taken on again all of the unsatisfactory aspects of local relief administration, as well as the good ones. There is required in addition to direct administration by local government,

a degree of supervision and control by a central State authority. This control and supervision should be concerned especially with the maintenance of standards. The State should see that relief payments, whether in form of direct relief grants or wages on work relief, are reasonably adequate. It should see that those who are responsible for administering local relief programs maintain the standards that are prescribed. If they do not do so, then the State must have authority to withhold financial assistance from State and Federal funds. The Federal Government's participation would consist first and primarily of making funds available, which it can do with its wider taxing authority, to meet increased relief demands which we all know are ahead of us.

Along with the contribution of funds, everybody concedes that there should go a degree of control. As to the Federal Government, this should consist of a supervision over State administrations comparable to that of the State over local administrations. Its aim should be to see that standards which it prescribes are lived up to and policies which it establishes are carried out. For example, if the Federal Government desires that a portion of Federal funds be spent on work-relief programs, it is reasonable that that demand be made upon State administrations. In dealing with the States experience unquestionably has shown that there must be a measure of individualization. Conditions are not the same in all States; therefore, the plan of allocation of Federal funds and of Federal control and supervision must be flexible, to the end that the programs as they are carried out in the State may be realistic and meet conditions as they actually are. Too great standardization, whether in direct relief or in work-relief programs, ought not to be attempted.

I think that local control and administration would be very advantageous; local people know their neighbors. There is rather a marked tendency for the individual to hold on to his position under the W. P. A., because it gives him a feeling of security, and he is loath to accept employment under private auspices, fearing it will not last. We shall not be setting up a preferred class with our Federal funds. If there is a job, he who is fitted will have one; but if there is not a suitable project for him to work on, he will better understand why he has to take direct relief. All will be getting their just and proper relief needs, whether they work or not, and the money supplied by the Federal Government will go further and take care of more people.

I am strongly in favor of the recommendation of the National Mobilization for Human Needs that a permanent Federal commission be appointed to study the whole problem of welfare and relief. Personally I believe in the President's proposal for a department of welfare in the Federal Government. I believe that each State should have a department of public welfare that would take in all the present categories of public assistance. At present it is very difficult to secure and compile figures from all the different departments of welfare and relief. I would favor grants from the Federal Government covering all categories to come to one department in the State, with a percentage allowance for administration, the State to allocate the money to the cities and towns for all categories based on needs, the cities and towns to consider the needs of families and individual and make grants

accordingly. The need of the family as a whole should be the basis. If this were done, large sums would be saved in overhead, statistics, and information would be readily available for each State and the country as a whole.

I think the W. P. A. is a great and noble ideal, but I do not think the United States can longer afford it.

The CHAIRMAN. In answer to my question as to coordinating these activities, in the so-called coordination bill, there is a provision for the department of welfare, with the authority of the President, to transfer all relief activities to one department. Do you know of any other way in which you could have any coordination, unless you could put it all in one, under one direction?

Mr. ROTCH. Yes; I think it would be fine, and I would like to see the States do the same.

The CHAIRMAN. I think, of course, if that is done here, it may be the model that the States might follow.

Mr. ROTCH. Exactly.

The CHAIRMAN. But unless it is done you cannot get that coordination.

Thanks very much, Mr. Rotch.

(Statement of W. P. A. figures by Mr. Rotch follows:)

Works Progress Administration employment, January–June 1937

	Number	Earnings		Number	Earnings
January	98,063	$6,124,712	April	91,916	$5,980,841
February	94,688	5,588,733	May	91,670	6,124,980
March	63,864	6,349,358	June	88,265	5,723,560

Works Progress Administration employment, September–December 1937

	Number	Earnings		Number	Earnings
September	64,098	$4,168,872	Nobember	64,889	$4,238,087
October	63,859	4,202,915	December	[1] 77,000	5,450,191

[1] Estimated.

(The following statement was also filed with regard to Massachusetts:)

Massachusetts—Expenditures

1937	Total	Works Progress Administration	Department of Public Welfare, total	Department of Public Welfare			
				Dependent aid	Old age	Aid to dependent children	Aid to blind
Total	[1] $106,811,452	$62,618,873	$43,978,330	$20,174,925	$19,224,505	$4,578,908	$214,249
January	9,544,117	6,124,712	3,403,140	1,745,918	1,357,561	299,661	16,265
February	9,079,897	5,588,733	4,474,484	1,726,816	1,434,766	312,902	16,680
March	10,118,132	6,349,358	3,752,113	1,851,926	1,533,537	356,650	16,661
April	9,468,117	5,980,841	3,470,465	1,609,410	1,520,037	341,018	16,811
May	9,399,284	6,124,980	3,257,111	1,367,658	1,544,811	344,642	17,193
June	9,013,403	5,723,560	3,272,251	1,309,572	1,580,010	382,669	17,592
July	7,816,997	4,388,320	3,410,599	1,410,815	1,625,403	374,381	18,078
August	7,816,124	4,278,304	3,519,275	1,468,771	1,646,517	403,987	18,545
September	7,811,731	4,168,872	3,623,966	1,561,355	1,676,022	386,589	18,893
October	7,959,628	4,202,915	3,738,077	1,615,071	1,709,682	413,324	18,636
November	8,444,903	4,238,087	4,187,609	1,957,272	1,769,555	460,782	19,207
December	10,339,119	5,450,191	[2] 4,869,240	[2] 2,540,339	[2] 1,826,598	502,303	19,688

[1] This total does not include relief given through Soldiers' Relief, State and Military Aid. Figures for 1937 are not available. The amount spent in 1936 has been estimated as $3,995,623.
[2] Estimated.

Cases

1937	Total	Works Progress Administration	Department of Public Welfare, Total	Dependent aid			Department of Public Welfare		
				Total	Employable	Unemployable	Old age	Aid to dependent children families	Aid to blind
January	221,152	98,063	122,119	65,580	47,362	18,218	51,444	5,095	970
February	220,055	94,658	124,416	65,120	46,565	18,555	53,951	5,345	981
March	218,668	93,854	123,841	62,843	44,322	18,521	53,443	5,555	973
April	213,171	91,916	120,290	57,787	39,503	18,284	56,705	5,798	965
May	208,313	91,670	115,668	51,938	33,995	17,943	57,745	5,985	975
June	205,685	88,265	116,439	51,320	33,884	17,436	58,881	6,238	981
July	196,496	74,648	120,857	54,410	36,729	17,681	60,046	6,401	991
August	188,874	64,455	123,414	56,106	38,118	17,998	60,729	6,579	1,005
September	190,740	64,098	125,628	57,377	39,267	18,110	61,520	6,731	1,014
October	193,900	63,859	129,054	59,511	41,049	18,462	62,564	6,979	967
November	206,137	64,889	140,251	69,250	50,424	18,826	63,852	7,147	997
December	231,055	[1] 77,000	[1] 153,058	[1] 80,468	[1] 58,414	[1] 22,054	[1] 65,275	[1] 7,315	997

[1] Estimated.

The CHAIRMAN. Mr. Persons, the Director of the United States Employment Service, has furnished the committee the statistics of unemployment-compensation benefits which I want to put into the record at this time:

22 States and District of Columbia	Original claims							Continued claims [1]		
	Jan. 8	Jan. 15	Jan 1 to Jan 15	Jan. 1 to Feb. 5 [1]	Week ending Feb. 5 [1]	Jan. 1 to Feb. 12 [2]	Week ending Feb. 12 [2]	Jan. 15	Feb. 5 [2]	Feb. 12 [2]
Total	1,189,454	523,565	1,713,019	2,534,842	242,057	2,450,379	142,507	594,600	968,528	1,008,382
Alabama	22,140	10,264	32,404	60,559	6,261	65,504	4,945	18,991	33,040	35,468
Arizona	2,773	1,352	4,125	6,810	691	7,706	896	2,347	4,084	4,617
California	48,860	31,044	79,904	136,829	15,575	149,279	12,450	43,011	84,397	89,234
Connecticut	47,367	23,383	70,750	96,692	7,007	103,661	6,969	55,708	72,616	72,692
Louisiana	4,147	5,632	9,779	21,443	2,970	24,153	2,710	3,437	9,299	9,630
Maine	13,232	5,858	19,090	29,731	2,787	33,279	3,548	10,263	18,317	20,484
Maryland	40,891	14,302	55,193	77,714	6,749	82,461	4,747	29,223	45,913	42,199
Massachusetts	123,045	37,931	160,976	208,018	16,061	223,120	15,102	5,808	29,023	63,816
Minnesota	27,093	17,868	44,961	66,399	5,090	70,590	4,191	24,147	80,230	46,915
New Hampshire	13,388	3,495	16,883	25,661	1,381	27,207	1,546	7,291	14,138	13,657
New York	350,289	191,979	542,267	856,812	94,083	648,981	19,139	[3]	[3]	[3]
North Carolina	30,281	15,392	45,673	71,212	7,951	77,876	6,664	22,964	47,346	51,221
Oregon	29,851	8,917	38,768	46,998	2,393	49,193	2,195	4,645	33,536	33,109
Pennsylvania	279,310	77,394	356,704	474,888	36,912	503,527	28,639	213,077	244,907	254,530
Rhode Island	41,469	12,208	53,677	71,423	5,294	75,708	4,285	38,184	54,970	59,735
Tennessee	18,936	15,166	34,102	50,242	4,751	54,562	4,320	5,925	39,021	39,720
Texas	15,973	8,945	24,918	43,625	6,270	49,394	5,769	12,536	20,446	24,775
Utah	6,983	2,237	9,220	14,230	1,537	15,138	908	5,928	8,142	8,693
Vermont	4,915	2,270	7,185	9,933	666	10,516	583	4,392	6,548	6,584
Virginia	13,751	9,538	23,289	36,439	3,835	39,442	3,003	11,516	20,633	22,851
West Virginia	37,604	16,085	53,689	76,125	5,233	80,741	4,616	31,623	55,100	57,879
Wisconsin	8,857	6,850	15,707	33,892	7,396	38,338	4,446	38,601	36,400	39,336
District of Columbia	8,299	5,456	4,983	19,167	1,164	20,003	836	4,983	10,422	11,237

[1] See p. 723 for summary and explanation.
[2] Additional data received from Mr. Persons, through Feb. 16, 1938.
[3] Not available.

UNITED STATES EMPLOYMENT SERVICE,
Washington, January 19, 1938.

Mr. ALAN JOHNSTONE,

DEAR MR. JOHNSTONE: Responding to the request of the chairman of your committee, I submit a statement of the claims for unemployment-compensation benefits presented in the several States during the first 2 weeks of January.

This report[1] will come to you weekly.

Very truly yours, W. FRANK PERSONS, *Director.*

STATEMENT OF JOHN J. McDONOUGH, WORKS PROGRESS ADMINISTRATION ADMINISTRATOR OF MASSACHUSETTS

The CHAIRMAN. Colonel McDonough, you are the Works Progress administrator of Massachusetts?

Colonel McDONOUGH. Yes, sir.

The CHAIRMAN. Do you want to read your statement, or do you prefer that we question you as to certain views?

Colonel McDONOUGH. I have not prepared a statement as such, but I am willing to answer any and all questions.

The CHAIRMAN. If you have a statement you may read it.

Colonel McDONOUGH. I have not, Senator.

The CHAIRMAN. Then I think we may save you some trouble.

Can you tell us the number now on your rolls.

Colonel McDONOUGH. As of January 12—we count our pay roll every Wednesday—and count the individuals.

The CHAIRMAN. January the 12th you had how many?

Colonel McDONOUGH. Seventy-eight thousand and ninety-nine.

The CHAIRMAN. What are your expenditures?

Colonel McDONOUGH. I have them here by months.

The CHAIRMAN. All right.

Colonel McDONOUGH. For January, $6,816,442.

The CHAIRMAN. Without reading them all, $6,816,442 for January, and what was it in December?

Colonel McDONOUGH. In December it is $5,646,803.

The CHAIRMAN. You mean from $6,816,442 for January?

Colonel McDONOUGH. In 1937 we had much higher than we have now.

The CHAIRMAN. What is the December figure?

Colonel McDONOUGH. $5,646,000.

The CHAIRMAN. Then it is less than it was in January?

Colonel McDONOUGH. January 1936; yes.

The CHAIRMAN. How about 1937?

Colonel McDONOUGH. I mean, in January 1937 it was $6.816,442.

The CHAIRMAN. Then, in December 1937 was less than January 1937?

Colonel McDONOUGH. Yes.

The CHAIRMAN. You did not have an increase then in the number on your rolls in the fall?

Colonel McDONOUGH. Yes, we did; we had gone down to, the summer in June, our quota went down to about 61,000. Then we came up on December 9 to 15,000 plus.

The CHAIRMAN. Fifteen thousand plus. Have you filled that quota?

Colonel McDONOUGH. We have, Senator.

The CHAIRMAN. You have not had any trouble then?

[1] See p. — for summary through February 12, 1938, and explanation.

Colonel McDONOUGH. Not in the least.

The CHAIRMAN. In securing the eligible workers?

Colonel McDONOUGH. Filled it in 2 weeks.

The CHAIRMAN. Do you have any trouble getting projects approved here?

Colonel McDONOUGH. Not at all, we have in our projects reservoir about 1,375 manual jobs and 175 white-collar jobs, totalling $23,000,000 in all.

The CHAIRMAN. We had a statement from one administrator that, in order to secure approval of a project it takes from 4 to 6 weeks, and that it rests in the project bureau 4 weeks.

Colonel McDONOUGH. Yes; it always does that, but you have to have preparation in advance to have the supply of projects to draw on.

The CHAIRMAN. You mean you have these projects approved in advance so when the emergency comes you are ready?

Colonel McDONOUGH. That's right, and we have a total of $21,000,000 for the manual jobs and we have 175 of the white-collar jobs and we are operating now about 1,500 different projects.

The CHAIRMAN. During 1937 what was your percentage of skilled workers and other classifications in Massachusetts?

Colonel McDONOUGH. About 16 percent. I will give you that.

The unskilled was 60.4; intermediate classification, 15 percent; skilled, 15.3; professional, 6.3; nonsecurity, 2.1.

Now, since the new groups are gone on, we have gone on considerably higher in the unskilled classification, because of that last group that went on, this 15,000, most of them were on the nonskilled jobs, because in some communities, in the small towns, we have projects like, for instance, the farm-to-market projects and the elimination-of-gypsy-moths projects.

The CHAIRMAN. What do you pay to those classifications——

Colonel McDONOUGH. We have a supervisor, class No. 1, $150; No. 2, $130; No. 3, $110. The professional is $103.40; the skilled is $93.50; the semiskilled is $71.50; and the unskilled is $60.50.

The CHAIRMAN. $60.50?

Colonel McDONOUGH. Yes.

The CHAIRMAN. That unskilled scale of $60.50 prevails throughout the entire State?

Colonel McDONOUGH. No; that is in the red area; that is the large cities. It goes down to as low as $44 in Nantucket and Dukes Counties—very small counties.

The CHAIRMAN. What can you tell us about the length of times these W. P. A. workers have remained on the rolls?

Colonel McDONOUGH. Well, we average—take on private employment in the last year, we have returned to private employment about 14,000 workers.

The CHAIRMAN. You have returned to private employment?

Colonel McDONOUGH. Yes; and in addition 17,700 we have dropped from change in financial status of the family. We think we have a turn-over of about anywhere from 5 to 18 percent, varying on the season of the year.

Now, in the summertime, in the western counties, we have 104 cities and towns where we eliminate about 70 towns entirely, and with their approval, too; we take care of them during the wintertime. They are

perfectly willing then to go back to their normal farming and fishing in the summer season.

The CHAIRMAN. What number would you have on the rolls today who have been on the rolls since 1935?

Colonel MCDONOUGH. We figure that we turn over our group about entirely about once in 17 or 18 months, assuming there were a few that might have remained on, on account of the return to private employment, and change of projects, and dropping the various cities and towns, and reduction in quota.

The CHAIRMAN. These 1,300 projects that you have approved, are you assured of the contribution on the part of the sponsor in all of those projects?

Colonel MCDONOUGH. We have the sponsor's contribution on the same project for the first 6 months of 1937, we had sponsors' fund of $12,988,484; Federal fund, $81,531,202; making about 15.5 percent.

In the last 6 months we have had sponsors' funds of $5,560,280; total Federal fund of $17,227,798, making a total of 32.3 percent.

The CHAIRMAN. In other words, your contributions now are 32.3 percent?

Colonel MCDONOUGH. In the last 6 months.

The CHAIRMAN. In the last 6 months. That is just about double; isn't it?

Colonel MCDONOUGH. Yes; it is, Senator. Now, that is not quite true of the——

The CHAIRMAN. That is materials as well as cash?

Colonel MCDONOUGH. We, rarely, except in some very hard-hit cities, agree or permit the payment of any Federal funds for nonlabor costs on projects.

The CHAIRMAN. These projects you refer to, these 1,375 projects, how many men will it give employment to, assuming that you have the quota?

Colonel MCDONOUGH. One project, farm-to-market roads, we use as a reservoir entirely. We can put 10,000 workers on the project at any time, in addition to other projects which we have now in reservoir. That is quite useful in the smaller communities.

Senator LODGE. Colonel McDonough, the figures show that 0.4 of 1 percent of the personnel in Massachusetts is nonrelief, which record is not exceeded by any record in the Union.

Colonel MCDONOUGH. The only reason we have that many, Senator, is because out of the 78,000 we have about 298 that are nonrelief cases. Now, those are persons that we cannot get on the relief rolls, such as in the Federal projects; you take the drama or music or the artists or the writers—in some cases to fill out an orchestra they have to get some particular individual with special skill and is not on relief roll. Now, you know, in the July Appropriation Act, required at least relief 95–5, we have permitted the artists to have some people on nonrelief because they have special skill and talent that no one on relief has.

Senator LODGE. How are you able to keep the percentage of nonrelief cases down so low?

Colonel MCDONOUGH. Well, by insisting that we will not approve noncertified persons if we can find a certified person in our rolls, and the rolls are really large, and in most cases they have sufficient personnel to draw upon.

Senator LODGE. We had an administrator from one State here yesterday and in his State there is 4 percent as compared to 0.4 of 1 percent, and he has hazarded the guess that the reason it was so low in Massachusetts was because there was more local supervision of projects.

Colonel MCDONOUGH. We do not have any local supervision of projects at all.

Senator LODGE. I am glad to have that point of view.

Mr. JOHNSTONE. You mean to say, Colonel McDonough, that persons who are in charge of operations of your projects are all persons responsible to you and on your pay roll?

Colonel MCDONOUGH. Absolutely, for example, in the city of Brockton they had one particularly well-qualified man in the sewer department, and he received an annual salary of $600. We insisted we would not take that man for sewer department work but would accept him in the street department project because we felt he might be favorable to his own particular department.

Senator LODGE. In those figures that were provided by the W. P. A. for January 1938, which I had before me yesterday, it showed New Mexico, 4.5 percent; Pennsylvania, 4 percent; and, as I say, Massachusetts and Vermont, 0.4 of 1 percent; South Carolina, 2 percent. I would like to know why there is such a tremendous variation in the number of nonrelief people getting W. P. A. jobs all over the country. Why should there be a need for so many more nonrelief jobs in one State than in another?

Colonel MCDONOUGH. Maybe in some areas if they didn't have a skilled worker that they would need to have, take a bricklayer, for example, that another group would be waiting for him. If there is no available bricklayer on relief, it would be unfair to have that group of men depending on him deprived of a job because there was no relief bricklayer available.

Senator LODGE. I can see that, but in South Carolina it is 2 percent; in Pennsylvania, 4 percent; in New Mexico, 4.5 percent——

The CHAIRMAN. How high does it go?

Senator LODGE. You cannot go higher than 5 percent under the law, and in New Mexico it is the highest, while Massachusetts and Vermont are the lowest. I do not see why there should be that variation.

Senator DAVIS. Do I understand now that no part of supervision is paid for by the sponsors; that it is all paid out of W. P. A. funds?

Colonel MCDONOUGH. That's right; we feel since it is a W. P. A. project, Federal money, that we stand responsible for its supervision.

Mr. JOHNSTONE. Mr. McDonough, you have a very well-developed welfare department in the State of Massachusetts; do you not?

Colonel MCDONOUGH. Well, I wouldn't say that, because peculiarly to Massachusetts, each city and town is distinct to itself. We have 355 cities and towns, and each town has its own welfare department. All the State welfare department does is to get a report from them monthly. We have no State welfare department in the ordinary sense, that is for certification purposes.

Mr. JOHNSTONE. In every city and town, however, in Massachusetts, there is a place to which a person might apply for relief and be examined and certified; is there not?

Colonel MCDONOUGH. We require, and the law requires, that each particular city and town certify its own cases to us.

Mr. JOHNSTONE. May not this discrepancy in relief and nonrelief personnel under W. P. A. projects in various States of the Union depend on the efficiency of the relief machinery in examining and certifying them?

Colonel MCDONOUGH. I could not say that. The law says the city and town must certify its case to W. P. A. Now, if we are going to put 1,000 people to work in the city of Boston tomorrow, we say to the city of Boston, "Give us a thousand cases", and we would insist that they be certified by the city of Boston. Now, in the nonrelief cases, I could assume some unusual situation, as I mentioned about the artists in Federal No. 1. If they are finishing a mural, with a nonrelief worker, you can't knock that man off until the mural is finished, but we do not accept nonrelief cases, if there is a relief person in our files, we do not accept any other kind.

Mr. JOHNSTONE. I simply thought that it might throw some light on your inquiry, that the relief machinery might not be as well developed in certain States as in others.

Senator LODGE. That is probably one reason.

Senator DAVIS. I am sure that the relief machinery in Pennsylvania is equal to that of Massachusetts.

(Witness excused.)

STATEMENT OF CARL WATSON, WORKS PROGRESS ADMINISTRATION ADMINISTRATOR OF OHIO

The CHAIRMAN. Mr. Watson, you are the W. P. A. administrator in Ohio?

Mr. WATSON. Yes, sir.

The CHAIRMAN. You have heard the questions that have been propounded to Mr. McDonough as to Massachusetts, and we wanted information somewhat along the same line as to Ohio, and I think we can possibly boil it down if you will tell us the number that you have upon the rolls in Ohio today.

Mr. WATSON. 115,000.

The CHAIRMAN. How does that compare with September 1937?

Mr. WATSON. Senator, I have prepared a statement for your records covering the unemployment situation, the general relief situation, the number that we have employed each month since the beginning of the program, the sponsors' contribution, and also the amount of money that was expended, but I will cover that question right now. You wanted to know——

The CHAIRMAN. We will put the statement in the record.

(Statement prepared by Mr. Watson follows:)

PRESENT UNEMPLOYMENT AND RELIEF SITUATION IN OHIO

1. *Present unemployment situation.*—From such information as is available in this State on the volume of unemployment, we estimate that as of January 1 between 475,000 and 500,000 workers were unemployed. The bulk of this unemployment has occurred since September 1, although in the cities of Akron, Canton, Cincinnati, Columbus, Toledo, and Youngstown, there was a gradual decline in employment from the latter part of June until the latter part of October. From October to November, severe declines have taken place in

every industrial area in the State. Our best estimates of the number of unemployed in the industrial area counties, not including persons employed by the Works Progress Administration, are as follows:

Cuyahoga	140,000	Franklin	12,000
Hamilton	22,000	Stark	9,000
Lucas	35,000	Trumbull	7,550
Mahoning	18,500	Montgomery	3,000
Summit	22,000		

Information on 25 counties including the main industrial centers indicates approximately 298,000 persons unemployed. To this should be added approximately 110,000 persons on the Federal Works Program. The balance are scattered over the remainder of the State. It is somewhat difficult to forecast any possible trend of employment. Some reports seem to indicate that we may be on the bottom or hitting bottom. However, there is nothing in the general situation to indicate that any substantial reemployment will occur during the remainder of January, and it is doubtful whether February and March will see sufficient reemployment to alleviate the present situation to any appreciable extent.

2. *The general relief situation.*—The general relief situation in Ohio is deplorable. Since April 15, 1937, there have been practically no State funds going into direct relief. Schedule I, attached, indicates the estimated number of cases receiving general relief during the months of September, October, November, and December of 1937, and for the weeks ended January 8 and January 12 of 1938. These figures are partially estimated on the basis of complete returns from metropolitan areas and a representative sample of urban and semi-industrial counties. It will be noted that there has been an increase from September of 1937 to January 12, 1938, of 50,000 cases, or approximately 50 percent in the relief load. Of this 103,000 cases, we estimate that approximately 61,000 contain an employable worker. There may be more than one employable worker in many of the cases but the figures available are on a case basis only.

Schedule I.—Estimated number of cases receiving general relief on specified dates in State of Ohio

	Number of cases		*Number of cases*
1937: September	53,000	1938: January 8	99,500
October	54,300	January 12	[1] 103,000
November	71,300		
December	91,000		

[1] Of this number, it is estimated that approximately 61,000 cases contain an employable worker.

W. P. A. has not absorbed the employable people primarily because of lack of authorized quota, which in turn is due to limitation of the appropriation in the Emergency Relief Act of 1937. In addition, some lack of projects has developed in certain areas because of inability of sponsors to contribute their full share under present regulations. This is due in a great measure to the fact that sponsors needed whatever funds were available to meet direct relief needs because of lack of State support of the direct relief problem. If all W. P. A. funds were used for labor only, sponsors providing all non-labor costs, an additional 12 percent could be employed by W. P. A.

The relief situation in Ohio is still not completely organized. Partial legislation has been passed by the State to provide some funds. This

amounts to $6,500,000 out of sales tax funds to be allocated on the basis of tax duplicates and to be matched by local communities at the rate of 50 cents of local funds to each dollar of State funds. There is in conference between the two houses of the legislature another bill to provide relief funds. It was originally estimated that this bill will yield $5,500,000 of funds from the public utilities excise tax and from certain selected sales taxes. These funds would be allocated to the counties, one-half on the basis of relief needs as indicated on the basis of past case loads, and one-half on the basis of public utility real property in the various counties. Since this bill was amended in a number of instances from the floor, which amendments would reduce its yield, and since it would have to be made retroactive in order to yield the above estimated amount, it is doubtful whether this sum will be made available for 1938 needs. The total estimated funds to be made available by State action plus local matching will be somewhere in the neighborhood of $15,000,000 for the year of 1938. This, however, will not be sufficient to meet the need as known today. Since there has been an increase of approximately 50 percent in the direct relief load since September 1937, it is indicated that additional funds will be needed. A conservative estimate is $25,000,000 in total, or an additional $10,000,000. The way the financial situation stands today in the matter of direct relief, local communities will not receive adequate assistance from the State, and many counties will be required to provide the deficiency needed over and above State assistance out of their own funds. In view of certain constitutional limitations placed upon taxes of local communities in terms of amount of tax and sources of taxation, it is exceedingly difficult for local communities to go much further in meeting the situation.

There is also attached schedule II indicating the number of persons employed on W. P. A. projects since July. It will be noted that a low point of 81,462 workers was reached on September 8. From that time until December 8, employment increased gradually to 88,801. From December 15 to January 12, employment has increased to 106,288. As of January 19, we estimate that there will be 115,000 employed on W. P. A. in this State, which is the quota limit at the present time. Our quotas, as indicated above, are determined on the basis of the availability of funds from the Emergency Relief Appropriation Act of 1937.

SCHEDULE II.—*Number of persons employed on Works Progress Administration projects on specified dates in the State of Ohio*

1937	Number of persons employed	1937	Number of persons employed
July 14	90, 929	Nov. 10	86, 732
Aug. 18	84, 236	Nov. 17	87, 076
Sept. 1	82, 459	Nov. 24	87, 622
Sept. 8	81, 462	Dec. 1	88, 666
Sept. 15	82, 963	Dec. 8	88, 801
Sept. 22	83, 993	Dec. 15	88, 736
Sept. 29	84, 325	Dec. 22	91, 512
Oct. 6	84, 306	Dec. 29	97, 858
Oct. 13	84, 439		
Oct. 20	85, 007	1938	
Oct. 27	84, 882	Jan. 5	101, 400
Nov. 3	85, 434	Jan. 12	106, 288

Works Progress Administration in Ohio

Estimated total employable persons in need of assistance in Ohio as of Jan. 1, 1938

[Classified by persons employed on the Federal Works Program and other employable but unemployed persons, by district, by county]

County and district totals	Persons employed on Federal Works Program			Unemployed employable persons in need				Total employable persons in need	Percent increase over November
	W. P. A.	Other agencies	Total	Persons in active awaiting assignment files	Persons receiving direct relief not certified	Persons in need not receiving direct relief	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
State total	103,895	4,038	107,933	12,221	18,742	54,976	85,939	193,872	32.1
District No. 1	13,046	566	13,612	1,169	4,109	9,825	15,103	28,715	39.0
District No. 2	18,072	1,163	19,235	1,942	3,411	7,500	12,853	32,088	14.0
District No. 3	13,051	698	13,749	1,902	3,991	8,281	14,174	27,923	37.5
District No. 4	25,343	391	25,734	1,676	1,587	13,327	16,590	42,324	50.3
District No. 5	23,558	595	24,153	2,978	2,440	10,400	15,818	39,971	33.7
District No. 6	10,825	625	11,450	2,554	3,204	5,643	11,401	22,851	16.7
Metropolitan counties: [1]									
Cuyahoga	25,343	391	25,734	1,676	1,587	13,327	16,590	42,324	50.3
Hamilton	9,564	968	10,532	849	1,050	5,000	6,899	17,431	16.7
Lucas	7,778	380	8,158	783	1,850	4,800	7,433	15,591	35.8
Summit	8,235	69	8,304	621	400	3,000	4,021	12,325	20.6
Mahoning	4,074	15	4,089	379	10	1,500	1,889	5,978	24.9
Franklin	5,290	158	5,448	1,030	1,000	2,860	4,890	10,338	16.0
Montgomery	3,996	53	4,049	388	662	650	1,700	5,749	3.2

[1] Metropolitan counties are included in State and district totals.

Estimated total employable persons in need of assistance in Ohio as of Nov. 1, 1937

[Classified by persons employed on the Federal Works Program and other employable but unemployed persons, by district, by county]

County and district totals	Persons employed on Federal Works Program			Unemployed employable persons in need				Total employable persons in need
	Works Progress Administration	Other agencies	Total	Persons inactive awaiting assignment files	Persons receiving direct relief not certified	Persons in need not receiving direct relief	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
State total	85,664	5,900	91,564	16,015	9,049	30,125	55,189	146,753
District No. 1	10,852	591	11,443	1,499	1,964	5,753	9,216	20,659
District No. 2	14,493	1,989	16,482	3,700	1,654	6,309	11,663	28,145
District No. 3	11,958	1,070	13,028	2,032	1,930	25	7,287	20,315
District No. 4	20,868	417	21,285	3,262	1,220	2,400	6,882	28,167
District No. 5	17,851	995	18,846	3,425	1,192	6,426	11,043	29,889
District No. 6	9,642	838	10,480	2,097	1,089	5,912	9,098	19,578
Metropolitan Counties: [1]								
Cuyahoga	20,868	417	21,285	3,262	1,220	2,499	6,882	28,167
Hamilton	7,411	1,620	9,031	2,102	800	3,000	5,902	14,933
Lucas	6,700	320	7,020	830	1,315	2,317	4,462	11,482
Summit	6,280	121	6,401	567	250	3,000	3,817	10,218
Mahoning	3,335	37	3,372	416	----------	1,000	1,416	4,788
Franklin	4,944	191	5,135	603	677	2,500	3,780	8,915
Montgomery	3,317	89	3,406	422	242	1,500	2,164	5,570

[1] Metropolitan counties are included in State and district totals.

There are also attached two reports, one as of November 1, 1937, and one as of January 1, 1938, indicating the estimated total employable persons in need of assistance in Ohio. These data are in terms of cases and include only one employable worker per case. It will be noted that between November 1 and January 1, the total employable persons (cases) in need of assistance in Ohio increased from 146,753 to 193,872, or an increase of 32.1 percent. Naturally, during this period there were many thousands of workers who lost their employment but could, because of savings and other sources of income, maintain themselves without requesting public assistance.

3. *The place of unemployment compensation in the present relief crisis.*—In this State unemployment compensation cannot be of material assistance in this present crisis because of the lack of the necessary administrative organization throughout the State to pay such benefits once they are determined. Even though there was an organization to pay benefits, we do not believe that they would be of material assistance in alleviating the situation, since most of the persons who would normally be eligible for unemployment insurance are not the usual direct relief type of case.

Expenditures for W. P. A. work projects in Ohio, by source of funds, through November 1937

	Total project costs	Federal funds	Sponsor's funds	
			Amount	Percent of total
Cumulative through June 1936	$89,197,995	$84,226,442	$4,971,553	5.6
June through December 1936	73,217,264	63,852,626	9,364,638	12.8
January through June 1937	59,366,782	50,159,743	9,207,039	15.5
July through November 1937	36,630,088	29,311,762	7,318,321	20.0

Number of persons employed on W. P. A. work projects in Ohio, weeks ending Aug. 31, 1935, through Jan. 15, 1938

(Subject to revision)

[Source: Works Progress Administration, Division of Research, Statistics and Records, Jan. 19, 1938]

Week ending—		Week ending—	
1935—Aug. 31	23,891	1936—Nov. 28	143,098
Sept. 28	29,925	Dec. 26	133,593
Oct. 26	48,407	1937—Jan. 30	131,225
Nov. 30	149,970	Feb. 27	128,101
Dec. 28	173,170	Mar. 27	124,177
1936—Jan. 25	180,449	Apr. 24	119,734
Feb. 29	182,634	May 29	115,989
Mar. 28	186,358	June 26	99,000
Apr. 25	163,102	July 31	88,032
May 30	155,808	Aug. 28	83,860
June 27	152,850	Sept. 25	84,207
July 25	144,937	Oct. 30	85,088
Aug. 29	150,820	Nov. 27	87,827
Sept. 26	148,406	Dec. 25	91,694
Oct. 31	149,598	1938—Jan. 15	106,378

Total Works Progress Administration expenditures from Federal funds,[1] all accounts, State of Ohio, by months

1936—January	$11, 655, 683. 17	1937—May	$8, 389, 086. 83
February	10, 748, 776. 69	June	8, 989, 716. 76
March	12, 744, 089. 74	July	6, 547, 325. 19
April	12, 758, 856. 67	August	6, 234, 148. 18
May	12, 095, 166. 99	September	6, 122, 178. 50
June	11, 607, 477. 00	October	6, 143, 371. 80
July	11, 644, 121. 41	November	6, 222, 166. 61
August	10, 699, 551. 11	December	6, 787, 651. 28
September	11, 300, 018. 44	Calendar year 1935	18, 247, 181. 43
October	11, 868, 639. 96	Calendar year 1936	138, 771, 392. 10
November	10, 163, 870. 24	Calendar year 1937	91, 538, 971. 64
December	11, 515, 140. 68	Fiscal year 1936	89, 857, 231. 69
1937—January	9, 103, 416. 25	Fiscal year 1937	120, 643, 471. 92
February	8, 478, 258. 14	Cumulative through December 1937	248, 557, 545. 17
March	9, 881, 284. 39		
April	8, 640, 367. 71		

[1] Checks issued, as reported by the Treasury Department Jan. 19, 1938.

The CHAIRMAN. All right, Mr. Watson, September 1937——

Mr. WATSON. Yes, sir; September, you say, of 1937?

The CHAIRMAN. Yes. In September 1937.

Mr. WATSON. In September 1937, I was employing 84,000.

The CHAIRMAN. And you now have how many?

Mr. WATSON. One hundred and fifteen thousand.

The CHAIRMAN. How long have you been Administrator in Ohio?

Mr. WATSON. Two years, in November.

The CHAIRMAN. Now, what are your expenditures, let us take the same month, September 1937.

Mr. WATSON. September 1937, $6,122,178.50. In January 1938—I do not have it beyond December; it is $6,787,651.28.

The CHAIRMAN. How much was your quota increase?

Mr. WATSON. Twenty-seven thousand.

The CHAIRMAN. Have you filled that quota?

Mr. WATSON. Yes, sir.

The CHAIRMAN. Did you have any trouble in getting eligible workers to take those places?

Mr. WATSON. No; no trouble at all in getting eligible workers.

The CHAIRMAN. What delay, if any, was there from the time that you were allowed the quota and your filling the quota?

Mr. WATSON. From December 15 until the 19th of January, it took us to fill that quota. The delay was occasioned because, since April there has been no State relief organization. The counties and cities that we depend upon to make certifications to W. P. A. naturally dropped their forces down to conserve their expenditures; then they had to build them up, and there was a little delay in getting to that, although we accepted certification at the point of intake. The cases are investigated after we assign them to the work. This was done in order to speed up and get along rapidly.

The CHAIRMAN. You have no State welfare organization to certify eligibles?

Mr. WATSON. That's right.

The CHAIRMAN. It is done only by county organizations?

Mr. WATSON. At the present time, that is right.

The CHAIRMAN. Has every county got an organization?

Mr. WATSON. There are two or three of the strictly rural counties that have had no organization since April.

The CHAIRMAN. What do you do, then, in those cases?

Mr. WATSON. The need is not such there that we have had to go into those counties. If it should be necessary, we would go in and make our own certifications, but it has not been necessary to do that.

The CHAIRMAN. Do you have any trouble securing the approval of projects?

Mr. WATSON. Yes, Senator; we do.

The CHAIRMAN. What is that trouble? Where is it? What is it? Is it just delay?

Mr. WATSON. It is delay, yes; and then the changing of the regulations as to what is "eligible," from month to month makes it a little confusing for us.

The CHAIRMAN. Do you have a reservoir of projects?

Mr. WATSON. I have a reservoir of projects to employ the quota that was given to us, in this way, Senator: I have covered Ohio with rather large projects because of several reasons. If I can put a large number of men to work on a single project, it cuts down my supervision, and permits me to employ a higher type of supervisor. Now, I have plenty of projects of that size to absorb people by double-shifting the projects, which means that I am using up the projects twice as rapidly as I would under normal procedure, so it necessitates my getting back in the field again to dig up more projects in order to carry on our 6 months' program.

The CHAIRMAN. You have projects at this time?

Mr. WATSON. Yes, sir.

The CHAIRMAN. You could put them to work if you had the quota?

Mr. WATSON. I could put another 25,000 to work; I am not distressed at the present time.

The CHAIRMAN. The classification in Ohio, how does it run? I mean, your scale of pay? Suppose you give it to us. We got it from the other States.

Mr. WATSON. I cannot do it, Senator, because I do not remember it, and I do not have the wage schedule with me. The common laborer gets $60.50 in the metropolitan areas, and in the rural areas, it runs to $48.40, the lowest.

The CHAIRMAN. I think that in New York or Pennsylvania, one of the two, the same figures apply, then you go up to your professional class, I suppose, with $100?

Mr. WATSON. That's right; about the same thing.

The CHAIRMAN. What is your observation as to how long these W. P. A. workers have remained upon the rolls in Ohio?

Mr. WATSON. Senator, there is a pretty rapid turn-over. Now, there is a certain percentage of these people that we are carrying on our rolls who are beyond the point in age that they are going to be absorbed in industry. They are more or less permanent, but that percentage is not so heavy as the percentage of our workers who are strictly employable in industry. The turn-over is pretty rapid.

The CHAIRMAN. I think in one or two States it is as high as 75 percent who have been on the rolls since W. P. A. started.

Mr. WATSON. I would say that is definitely wrong in Ohio. I would say that not over 25 percent had been on the rolls that long.

Senator LODGE. How much is the turn-over? How often does it turn over?

Mr. WATSON. Practically every 4 months.

The CHAIRMAN. What percentage of them have found jobs in industry?

Mr. WATSON. I cannot give the percentage.

The CHAIRMAN. But they do find jobs?

Mr. WATSON. Well, they find jobs in industry, and we go back to the certification agency again to replace them, to keep our quota up.

The CHAIRMAN. Then they have been finding jobs? You have not been rotating them?

Mr. WATSON. No, they have been finding jobs. When an industrial situation is created in any part of Ohio, where apparently there seems to be a shortage of help, we close our projects if necessary to make those men available to industry. A man that accepts employment in private industry, when he returns to us, he is immediately reassigned on the program in order to create an incentive for him to go out and take private employment.

The CHAIRMAN. Do you send the names of the men on your projects to the employment service?

Mr. WATSON. They are all registered with the employment service.

The CHAIRMAN. What is your estimate today of total unemployment in Ohio?

Mr. WATSON. One hundred and ninety-three thousand employables who are in need of relief.

The CHAIRMAN. One hundred and ninety-three thousand?

Mr. WATSON. That's right.

The CHAIRMAN. Upon what do you base that?

Mr. WATSON. Part of that has to be a guess, Senator, because there are no authentic figures upon which we can rely. In November we estimate there were 146,000, but we estimate on the 1st of January, that we had 193,000. Now, we have taken into consideration the figures that are available from the business organizations in the cities, the relief organizations, the number of people that are carried on the relief rolls, and our contacts with general business and industrial organizations of the State, to give us a report on how many they have laid off.

The CHAIRMAN. What is your sponsors' contributions?

Mr. WATSON. I can tell you definitely, Senator. Beginning with the program ending June 1936 it was 5.6 percent; from June to December 1936 it rose to 12.8 percent; from January through June 1937, 15.5 percent; and from July to November of 1937, 20 percent; and our 6 months' program from January to June of this year carries an estimate of 24 percent.

The CHAIRMAN. That is materials and money?

Mr. WATSON. That is right.

The CHAIRMAN. Do you find any difficulty in getting sponsors to put up that contribution?

Mr. WATSON. It is exceedingly difficult in Ohio for them to do that, now, Senator, I anticipated you might ask me that question, and I do not think it would be fair to you to say that I am taking the word of the city administration as to how much money they can spend, but I have a man on my own staff who is qualified to audit the city administration books, and we do audit the books of the cities, the larger industrial centers of Ohio, and determine for ourselves whether they are contributing what we think they can contribute.

The CHAIRMAN. If the rest of the country could contribute 21 and 22 percent, I think that is the average at this time, there is no reason why Ohio couldn't do as much as the other States of the Nation, is there?

Mr. WATSON. No; and yet we are in an exceedingly difficult situation because of the fact that the State, since April, has been giving no funds to direct relief.

The CHAIRMAN. They might not want to do it, and I suppose in every State a man would rather get 100 percent from the Federal Government, and the State might not, since April or June, do anything if they could get away with it.

Mr. WATSON. They have been getting away with it in Ohio, and it has been exceedingly difficult for our sponsors because of it.

The CHAIRMAN. I get what you mean, because the State making no contribution toward it, makes it difficult for the counties and municipalities who are sponsors in most instances; is that it?

Mr. WATSON. That's right. You know, in Ohio, the sponsor is limited by the amount of money that can be assessed upon real estate and he is also limited to the amount of bonds that can be issued. They may vote bonds in Cleveland, Ohio, to any amount, but they are not permitted to issue those bonds except to the 1 percent of the tax duplicate or to 5 percent by a vote of the people.

The CHAIRMAN. And then it is true that you have had some elections and the people did not vote the bonds to supply this relief?

Mr. WATSON. They did not in the last November election, except in Cincinnati.

The CHAIRMAN. Then it is not the fault of W. P. A.?

Mr. WATSON. Not at all.

Senator DAVIS. Do you have an efficient welfare organization in Cleveland?

Mr. WATSON. Yes, sir.

Senator DAVIS. And in Cincinnati?

Mr. WATSON. Yes, sir.

The CHAIRMAN. With the improved employment in early 1937, the latter part of 1936, your more skilled worker, your more effective worker, went back into industry?

Mr. WATSON. That's right.

The CHAIRMAN. I suppose it did leave on your rolls most of the less effective, or less desirable workers, upon the rolls?

Mr. WATSON. That is just right.

The CHAIRMAN. And they remain?

Mr. WATSON. That's right.

The CHAIRMAN. There isn't anything to do about that?

Mr. WATSON. No; I think not.

The CHAIRMAN. If you are not going to give a man a job there is nothing to do about it. The only other thing is to give him direct relief.

Mr. WATSON. That's right.

The CHAIRMAN. He is a permanent charge then, until, or unless we have a still greater revival in business?

Mr. WATSON. That would be my answer.

The CHAIRMAN. Or would it be this: Would there be a temptation for him to remain there because of the high hourly wage and the short hours that he works?

Mr. WATSON. A greater chance of security does have such a tendency, but if business needs that man, and we know it, he is laid off of our rolls because he must accept work in industry or else we cut him off the pay roll.

The CHAIRMAN. What investigation have you made to find out how many of them have been supplementing their income by getting jobs outside?

Mr. WATSON. It is a matter of general discussion and general knowledge with us, that because of the short hours, particularly in some of the skills, Senator, they do go out and take jobs outside in their leisure time off W. P. A.

The CHAIRMAN. Now, that means that instead of spreading the work there is a man holding two jobs.

Mr. WATSON. That's right.

Senator LODGE. You say that is generally known? What do you do about it?

Mr. WATSON. There is not a whole lot, Senator, that we can do about it.

Senator DAVIS. You certainly ought to be able to do something about it.

The CHAIRMAN. Well, if you find it out, what do you do?

Mr. WATSON. Senator, there isn't very much we can do. It gets into determining policy now, as to what would be the policy in that situation.

The CHAIRMAN. What would you think of the policy of just finding out how much he had, and telling him to choose partners, that we are interested in providing one job for one man, but we are not interested in giving one man two jobs and depriving another man of a job.

Mr. WATSON. That is Hopkins' business to do that, I do not want to discuss policies.

The CHAIRMAN. But on your rolls you have men eligible for work?

Mr. WATSON. That is right.

The CHAIRMAN. Seeking work?

Mr. WATSON. That's right.

The CHAIRMAN. And if you have on the rolls not only that fellow with that job and with a job outside, he is keeping this fellow on the rolls without a job.

Mr. WATSON. Yes; we handle it this way: We go to our organized relief association in the community and say, "This man is supplementing W. P. A. by work on the outside. Now, you determine if he needs that outside work in order to maintain his family. If he does not, he must go off. You must cancel his certification to us," and they do.

The CHAIRMAN. You are paying a minimum wage of $48, that is for common labor, and up to $100 a month for professional, technical.

Mr. WATSON. Yes, sir.

The CHAIRMAN. What would be the skilled worker?

Mr. WATSON. I think it goes up to about $85, $90.

The CHAIRMAN. If you are paying $85 and $90, with those short hours, and he goes out and takes the job away from some other man, I wouldn't have much question about policy there.

Mr. WATSON. You would cut him off, Senator?

The CHAIRMAN. Right now, he is taking a job away from another man. Instead of the Government giving him one job, we give him a second job at a time when we are trying to find jobs for the millions

of unemployed. It just doesn't seem right to me for one man to take two jobs.

Mr. WATSON. I do not think it is right myself, Senator, but a great many of those jobs will maybe be temporary, for a day or two, somelike that.

The CHAIRMAN. Now, what inquiry could be made to ascertain what kind of job he has outside? You haven't made that inquiry, you say.

Mr. WATSON. Yes; we attempt to get that information.

The CHAIRMAN. Well, what kind of job?

Mr. WATSON. Well, it might be a plasterer's job or a carpenter's job.

The CHAIRMAN. What does he get when he goes out as a plasterer?

Mr. WATSON. He very likely cuts the wage below the prevailing rate.

Senator LODGE. Lowers the general standard.

Mr. WATSON. That's right.

The CHAIRMAN. He lowers the standard of the competitive worker who is not on the Government rolls.

Mr. WATSON. That is right.

The CHAIRMAN. Then he comes back on W. P. A. rolls and gets a higher wage per hour.

Mr. WATSON. That's right.

The CHAIRMAN. You know that is wrong.

Mr. WATSON. That is wrong, definitely, Senator.

The CHAIRMAN. So the fellow who hasn't gone on relief has to compete with the man who can cut his wage because he has an income from the Government.

Mr. WATSON. That's right.

Senator LODGE. Mr. Chairman, if you please. Mr. Watson, your $85 a month skilled worker—is his work spread over a month?

Mr. WATSON. Yes.

Senator LODGE. In all cases?

Mr. WATSON. He has so many hours, He is given $85 a month, we will say, and then, wherever he happens to be, we take the prevailing wage and divide it into $85 to determine the number of hours he is going to work on that project that month.

Senator LODGE. Are those hours all together or are they spread out?

Mr. WATSON. They are spread out.

Senator LODGE. In all cases?

Mr. WATSON. There might be exceptions but generally that is the policy.

Senator DAVIS. They are spread out over the entire month?

Mr. WATSON. That's right, over the work period.

The CHAIRMAN. Of course, insofar as W. P. A. is concerned, W. P. A. acts by direction of the Congress as to the wage, the prevailing wage rate?

Mr. WATSON. That's right.

The CHAIRMAN. That is the law. But you determine that wage in what way?

Mr. WATSON. By contacting industry, labor organizations, and the public where the job is located and then use common sense, as to what would be a fair wage.

The CHAIRMAN. Is it a union wage in the community?

Mr. WATSON. No; not always. We do not accept the union wage until the union wage has been in effect for 6 months.

The CHAIRMAN. Now, take a plasterer. There is a union wage there?

Mr. WATSON. Yes, sir.

The CHAIRMAN. In Cleveland would you accept the plasterer's union wage?

Mr. WATSON. If we, after contacting the building contractors and the individual, find that that is the prevailing rate of wage, we will accept that, but if they make a raise in that wage, we do not accept that for 6 months' time until it is established in industry that that is the wage they are going to pay.

The CHAIRMAN. But then, after that, you do?

Mr. WATSON. Yes.

The CHAIRMAN. But, Congress, after a hard fight, had in mind not disturbing the prevailing wage scale; but the way this is now operating, after a man gets the prevailing union wage from W. P. A., he goes out and breaks the scale and destroys the efforts of organized labor to have a wage for plasterers in that city.

Mr. WATSON. That is sound, Senator, definitely sound.

The CHAIRMAN. That is all; thank you, Mr. Watson.

Mr. WATSON. Mr. Chairman, may I file this report?

The CHAIRMAN. Certainly.

We will recess until 10 o'clock tomorrow morning.

(Thereupon, at 12 o'clock noon, a recess was taken until 10 a. m., January 21, 1938.)

UNITED STATES EMPLOYMENT SERVICE,
Washington, February 16, 1938.

Mr. ALAN JOHNSTONE,
Counsel, Special Committee to Investigate Unemployment and Relief:

I give below a résumé of the 6 weekly reports which have been compiled since January 3, 1938:

Unemployment compensation claims cleared through offices of the United States Employment Service

Operating week	Original claims cleared during week	Continued claims cleared during week	Cumulative total continued claims since Jan. 1, 1938
Jan. 3 to 8	1,187,514	37,707	37,707
Jan. 10 to 15	430,594	594,600	632,307
Jan. 17 to 22	278,221	829,013	1,461,320
Jan. 24 to 29	224,861	974,977	2,436,297
Jan. 31 to Feb. 5	186,682	968,528	3,404,825
Feb. 7 to 12	142,507	1,008,382	4,413,207
Total	2,450,379	4,413,207	

You will observe that the first column records the number of "original claims" filed in each of these 6 weeks. "Original claims" are to be understood as the first presentation of a claim for unemployment compensation. Consequently, the number of such claims received weekly are individual claims, and those presented each week can be added to secure the total figure. The total claims presented during the 6 weeks is 2,450,379.

"Continued claims" are the personal calls made at weekly intervals by those claimants who are under obligation to make a weekly renewal of their claims,

which amounts to their appearing personally to certify that they are still unemployed and seeking work.

The total of such personal calls made during the 6-week period is 4,413,207.

At the risk of unnecessary repetition, let me call your attention to the fact that these "continued claims" are not an enumeration of claims, but an enumeration of calls made concerning pending claims.

Naturally, the number of "continued claims" increases week by week. It is equally natural that the number of "original claims" should diminish week by week. These facts are plainly shown in the table above.

See page 707 for weekly report by States.

Very truly yours,

W. FRANK PERSONS, *Director.*

UNEMPLOYMENT AND RELIEF

FRIDAY, JANUARY 21, 1938

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committtee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Frazier, Murray, and Lodge; also, Alan Johnstone, counsel to the committee.

STATEMENT OF JOHN D. BIGGERS, ADMINISTRATOR OF THE OF THE UNITED STATES UNEMPLOYMENT CENSUS

The CHAIRMAN. The committee will come to order.

Mr. Biggers, you are from Toledo?

Mr. BIGGERS. From Toledo, sir.

The CHAIRMAN. What business organization are you connected with?

Mr. BIGGERS. Libbey-Owens Ford Glass Co.

The CHAIRMAN. The President asked you to take care of the registration of the unemployed, and we know that you have been engaged in that work for many months. I have invited you here to discuss the result of that registration, and would ask first whether you have an introductory statement that you would like to make for a questionnaire?

Mr. BIGGERS. I prepared such a statement, Mr. Senator, thinking it might save time and condense the statement on essentials.

The CHAIRMAN. Go ahead and read that statement.

Mr. BIGGERS. I will say in advance that I tried to eliminate a lot of statistics because we have given you our statistical report, and I tried to reach more or less condensed observations and conclusions, if that be your plan.

The CHAIRMAN. That is what we desire to have you do.

Mr. BIGGERS. I think we will all agree that the primary purpose of studying unemployment is to ascertain facts and find remedies which will lead to productive reemployment of the millions of our fellow countrymen who are able to work, need work, and genuinely want work. As a nation we cannot realize our hopes, either economic or social, until we find the answer.

We approached the problems of the unemployment census in that spirit. The wording of the act of Congress and the limitations of time and money controlled our procedure. A voluntary registration seemed the only possibility.

The experts were frankly skeptical. They said it could not succeed; that no substantial percentage of the unemployed would respond; that great national polls on simple questions, such as presidential preference, brought out only a 10 percent response.

We appreciated the difficulties. We realized that success depended upon use of the best possible methods plus the complete enlistment of public support. We decided that the vast machinery of the Post Office Department afforded the best and simplest way of reaching all the people. It functioned almost perfectly. Report cards were distributed to 32,000,000 homes in 1 day. Information service was provided at all post offices. Interpreters were available where necessary. Helpful follow-up calls were made in the congested districts of the larger cities. Careful field checks were made to eliminate duplications and other errors.

To enlist public support we conducted an intensive educational campaign. The response was an inspiration. The mayors of nearly 5,000 cities and towns appointed citizens' committees. They conducted campaigns designed to reach all unemployed people in their respective communities. These splendid local efforts were reinforced by the generous cooperation of newspapers, press associations, national radio networks, motion picture theaters, foreign language newspapers, country weeklies and the use of art posters, window cards and all other available avenues of publicity and education.

As a result of all this preparation and effort, 7,822,912 people reported themselves as totally unemployed or working for W. P. A., C. C. C., N. Y. A., or on other emergency work. In addition, 3,209,211 people registered as partly employed and wanting more work.

We had recognized from the outset that sole reliance could not be placed on any voluntary registration; therefore, we devised an enumerative test census and selected by lot 1,864 postal routes distributed throughout the United States. Over these routes, the trained personnel of the Post Office Department conducted a house-to-house canvass. Actual personal calls at the homes of approximately 1,950,000 people indicated that the number of the voluntary registrations from the same identical areas was 72 percent of the number reported in the test census as totally unemployed or on emergency work, and 57 percent of the number reported as partially unemployed.

While these percentages exceed the expectations of the experts, there is no justification for claiming precise mathematical accuracy. Let us consider what practical conclusions are warranted:

First. The voluntary registration, plus the enumerative check, both furnish conclusive evidence that unemployment is a pressing national problem.

Second. Both the voluntary registration and the subsequent test census developed the existence of so many intangibles and variables as to justify the assertion that it is impossible to determine accurately the true measure of unemployment. I have already submitted to your committee copies of my reports to the President, in which the reasons for this conclusion were detailed.

Third. Unemployment is not confined to certain regions, States, nor cities, but is general throughout the Nation.

Fourth. Data covering the characteristics and composition of the unemployed, now being tabulated, will provide the most illuminating set of basic facts yet available as a guide in planning reemployment.

Close application to this problem leads me to the conclusion that, in dealing with unemployment, mere figures are far less important than other vital facts.

Perhaps we have all overemphasized the importance of knowing exactly how many are unemployed. That exact number, even if ascertainable, has no direct bearing on the determination of relief needs. Many people who are not financially compelled to work consider themselves unemployed, yet they may never need nor seek relief.

Numerical measure of a problem, although important, is not essential to its solution. When an epidemic strikes and all the medical resources of the community are called into service, it would be unwise for physicians to devote time to quibbling over the counting of the afflicted when their time and effort could so much more effectively be devoted to ascertaining the source, nature, and cure.

So the knowledge of whether there are 8,000,000 or 11,000,000 unemployed in the United States is of relatively small value in determining how to put people back to work. Ample evidence exists that unemployment is already a problem of such vastness that its solution calls for every ounce of our corrective effort. To direct every effort toward a discovery of causes and methods of correction is more important than an endless argument over totals.

The unemployment census has provided a close approximation as to the extent of the problem, but its most valuable contribution is yet to come. This contribution will be available only when we have completed the tabulations of all of the 14 questions on the unemployment report card, revealing the characteristics of those totally unemployed and partly unemployed. These tabulations are being made in record time by the Bureau of the Census, and when completed, about 2 months hence, we will have the following picture of unemployment in the United States:

Where the unemployed reside, regionally, by States, counties, and cities.

Ages, so we will know for first time what age groups are most affected.

Color.

Whether they live on farms or in urban areas.

What they can do, by experience and training. This knowledge will be useful in fitting people into suitable work.

The industries in which they have worked. This knowledge will be helpful in indicating what industrial trends would contribute most to reemployment.

The degree of their employment during the past year.

The extent of employment during the week immediately preceding registration.

Number of workers in family of each registrant.

Number of persons dependent upon each registrant.

All this information will be ready and available in about 2 months.

Months of study impress me with the enormity and complexity of this problem but with the conviction that it can and must be solved. I am far from knowing the complete answer but I venture to make certain suggestions to your committee in a spirit of helpfulness.

1. Facts now revealed, and to be revealed by the unemployment census, combined with facts developed through the efforts of your committee should provide a better basis of approach to an under-

standing of the unemployment problem and point to possible remedies.

2. Since this census has proven the impracticability of getting a precise mathematical measure of unemployment, and since, in my opinion, sufficient evidence of extent is now at hand, I do not recommend any further census of unemployment prior to the regular check of employment and unemployment which will be taken in the decennial census of 1940.

3. An adequate running record or perpetual inventory of those actively and urgently seeking employment should be obtainable by close coordination or cooperation of the Social Security Board, the United States Employment Service, and relief agencies. In modern business such a perpetual inventory is a constant guide to management. It is the procedure followed by most of the important governments of Europe and constitutes their main or sole attempt at measuring unemployment. It eliminates many of the intangibles and variables and reduces the number to workers really seeking employment.

4. I believe an attempt should be made to synchronize relief policies and reemployment programs, with progressively increasing emphasis on reemployment.

5. In his appeal for national cooperation in assembling the facts of unemployment, President Roosevelt said:

> The permanent cure lies in finding suitable jobs in industry and agriculture for all willing workers. It involves cooperative effort and planning which will lead to the absorption of this unused man power in private industry.

In my opinion, what we need now is a temporary agency to supply the "cooperative effort" and "planning", for reemployment, called for by the President.

We know the approximate extent of unemployment, and its distribution.

We will shortly have available the needed facts as to characteristics and composition.

Your committee has assembled a volume of observations and facts as to contributing causes and effects.

My hope is that you will recommend the creation of such an agency or committee to crystalize a reemployment plan, based upon the facts that your deliberations and our census supply. To obtain this cooperative effort, this reemployment committee should be representative of all groups concerned—legislative, executive, labor, industry, agriculture, and perhaps any other important element in the population.

Those, sir, are my observations and suggestions.

The CHAIRMAN. We can agree, Mr. Biggers, that the voluntary registration could not be precise and that, after all, it is not so vastly important but, still, having gone into it, we are anxious to determine how nearly accurate the registration was. Within the last week the statement has been made to the committee by a gentleman who made an investigation in Michigan that, based upon the estimates of the Bureau of Labor Statistics and information from chambers of commerce and other organizations, it showed a much larger number of unemployed in that State, which caused me to wonder, as I was reading your report a minute ago, if there was not one check that could be easily applied. In your report you state the number of those who voluntarily registered, and who are working for W. P. A., N. Y. A., and C. C. C.

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. It showed a total of 2,001,877. Have you checked those figures with the figures of the W. P. A., N. Y. A., and C. C. C.?

Mr. BIGGERS. We have cards. Cards were prepared in advance by some of those organizations and they were fed into the post offices for check against our registration, to measure the degree of completeness, and those checks are now in progress.

The CHAIRMAN. I do not get how that is. You have registered 2,000,000?

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. It would show by States because you have those cards?

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. W. P. A. has a record of the number actually on their rolls in that State?

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. And so in the case of the C. C. C.?

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. That, it seems to me, would provide a check as to how accurate it was.

Mr. BIGGERS. As you say, that is a comparatively easy comparison to make.

The CHAIRMAN. Easier than all of the others.

Mr. BIGGERS. But it is possible, sir; we think, as far as we have gone, that in the question, "Working for the W. P. A., C. C. C., and N. Y. A., or other emergency work," the word "emergency" work drew in some people who were not working for any of those agencies, but who thought they were working on what they considered emergency work. So, in order to be more certain of that, we planned in advance for the cooperation of those agencies, and they had made out cards for every one of their workers, every one of their registered employees on Works Progress, for example, in the case of W. P. A., and those were fed into the local post office, and the postman was presumed, or instructed to check to see whether that same individual filled in a registration card. He was not instructed to follow him up, but merely to make a check. They did that, and we are now checking those results.

The CHAIRMAN. Mr. Johnstone just handed me a memorandum which shows that, approximately, the W. P. A. has 1,600,000, and the C. C. C. 300,000. That would be 1,900,000. Moreover, there is the N. Y. A., and your registration showed 2,000,000, so it is approximately——

Mr. BIGGERS. It is approximately complete. It appears to be.

The CHAIRMAN. It checks with that. The fact that you sent those cards out, as you state, would, of course, lessen the comparison but in the normal return of cards you got cards showing 2,000,000, and these statistics here show practically the same thing, which would indicate, insofar as those people working on W. P. A., C. C. C., and N. Y. A. are concerned, that you have an accurate registration.

Mr. BIGGERS. That is correct, sir. These figures that we report are the regular unemployment report cards filled out by those individuals, and turned in by them through their local post office, the same as any other unemployed persons.

The CHAIRMAN. We will get those other figures. It seems to me it checks very closely with that registration, and it makes me think

more of the accuracy of the registration. I am wondering if it is not more accurate than the estimate of the very efficient gentleman from Michigan.

Mr. BIGGERS. The only thing I could say to the contrary is that as to that group of people it was easier to impress them with their obligation. They were instructed by their project supervisors, and by their camp commanders that they were to consider themselves unemployed for the purposes of this census, and to register, and we got a larger percentage.

The CHAIRMAN. When you come to your farms, you have not yet the information at hand to show the number who registered as unemployed, and who were out of work at some period during the year.

Mr. BIGGERS. That will come out in the detailed tabulations.

The CHAIRMAN. Of course, we know that in the agricultural sections a very large number of the wage earners work during the summer, and after the crop is gathered they have little to do, and they might register as unemployed. I will not go into that with you. I am more interested in No. 3 of your proposals in your statement, as to the possibility of maintaining this registration as a basis of information, certainly until such time as social security goes into effect in all of the States. We will agree that whenever that happens, combined with relief and with other available sources, we ought to have quite an accurate picture; but between this time and the time that all the States have the social security law in effect what, exactly, is the suggestion you make as to how we can perpetuate this registration and add to it or subtract from it?

Mr. BIGGERS. Senator, I feel that further efforts and expenditures by any specific method of voluntary or enumerative tests are not warranted, in view of the difficulty of measuring what is unemployment, and who is unemployed, because we found such a large marginal group, where their status depended more upon their attitude of mind than upon their economic necessities.

For example, you find in one home two daughters who finished school or college. They have exactly the same economic status. One of them, from a sense of duty, or ambition, feels that she must get some sort of employment; that she must make her way in the world; and she may fill out an unemployment report card; and her sister may have an entirely different attitude, and may not consider herself unemployed.

Then we had so many cases where you found a much larger percentage of women registering themselves as unemployed than at any prior census, which indicates that more and more women are thinking in terms of some form of employment, some means, whether full or partial employment, some means of supplementing the family income, or obtaining independent income, or obtaining an outlet for their own activities and interests. So, the subject in my judgment, is indefinable. I feel, sir, that we have adequate knowledge of the present approximate magnitude, and that the statistical records maintained by several well recognized agencies will show approximate trends and that we can attack this problem without further detailed information until the census of 1940 gives us a more comprehensive picture; and by that time social security and its unemployment features, and the United States Employment Service will be able to so coordinate their activities as to carry forward a running inventory with greater accuracy than we have ever had.

The CHAIRMAN. Have you given any thought to that proposal, as to how the Employment Service should tie in with the unemployment insurance figures; if you think the one is as necessary as the other? Do you agree, then, that those organizations should be under the same head in order to coordinate their activities?

Mr. BIGGERS. I think they have to be very closely coordinated. Obviously, you can get closer coordination if you have unified control, but coordination or cooperation is possible without unified control.

The CHAIRMAN. It is possible, but it is not as probable.

Mr. BIGGERS. It is certainly more difficult.

The CHAIRMAN. Yes; it is more difficult.

Mr. BIGGERS. You see, sir, when we compare our statistics on unemployment with those of other countries we, presumably, do not get exactly parallel comparisons, because we are including in these registrations and in these enumerative tests people who consider themselves unemployed and wanting work.

In the nations of Europe which have unemployment insurance, and have a governmental employment service, they are so tied together, as I understand it, that a person who is out of work, who loses his position and seeks unemployment benefits, has to register with the employment service, and has to actively consider jobs that may be offered, and there is a tie-in between the two.

The CHAIRMAN. That is true, then. In your voluntary registration you include the group of people who are not employed, and who have never been employed, and who have some means, or some way in which they live without employment. I think every man in his own community can cite some men who have been able to live without ever holding a job. Would they have registered under your registration as unemployed?

Mr. BIGGERS. It is quite possible that many did.

The CHAIRMAN. He certainly never has been employed. If he answered at all he would have to say that he was unemployed.

Mr. BIGGERS. You see, the question was, "Are you unemployed, able to work, and do you want work?"

The CHAIRMAN. Want work?

Mr. BIGGERS. "Want work"—were the words used. There was a question in the minds of the committee which formulated this questionnaire as to the use of the words "want" or "seek." The committee chose to use the word "want." And a good many people may say that they want work when they are not what you or I would call actively seeking work.

Senator DAVIS. We find many people who want work until the job presents itself, and then they go the other way. How many of those people do you suppose there are? How many of those people are there in the country? Have you any idea? Can you give any estimate?

Mr. BIGGERS. It would be a pure guess, sir. We tried to make some specific studies, detailed comparisons of these numerative test areas, and the voluntary registrations in the same areas, and you get into these indefinable things. You get evidence of a person answering a question one way on a voluntary registration, and when he is questioned by a postman, asked the same question by the postman, maybe in the same words, or from an inflection of the voice, or what not, the answer to the question will be opposite. You get those variables both ways. It is an extremely hard thing to say. It would be a guess. That is the reason why I think we are dealing with such an intangible

quantity, such an intangible element and factor in unemployment, that the real measure is the type of measure that you will get, and that other countries are now getting, by a tie-in between their unemployment insurance and those who are actively seeking work through their unemployment agencies.

The CHAIRMAN. You did ask, "How many weeks did you work in the last 12 months?" That is the only question which would throw light on how many men had been unemployed.

Mr. BIGGERS. That does not exactly point to that, because a man might have worked a number of weeks intermittently throughout the year. It gives an indication of the degree of his employment throughout the year, but not necessarily the number of weeks that he has been presently unemployed.

The CHAIRMAN. Well, your conclusion is that when you have had the opportunity to analyze these figures, and show the ages of the unemployed, the character of work in which they have been engaged, the sex and color, that that is about all that we can hope to accomplish by any voluntary registration, and there is not any practical suggestion as to continuing it in any way.

Mr. BIGGERS. I think not, from the standpoint of gaining numerical information. I do believe that we have covered such a wide section and segment of the unemployed people of this country that information regarding the age groups and the former occupations, and the industries in which they work, and whose revival would contribute to reemployment, that those elements and facts are going to prove of real value.

The CHAIRMAN. In Great Britain, for instance, by reason of their system of social security and unemployment insurance, starting with the number of unemployed, they can look out there, and almost any day tell the number of people out of a job, with the exception of the exempted ones.

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. And we will have the same thing here; agricultural workers, and domestic employees. They have been able to do it there, and your thought is that we will be able to tie in the exempted class with the unemployed, and have a picture presented, once the unemployment insurance is in effect in all States.

Mr. BIGGERS. Yes; if it is properly cooperative with or coordinated with the Employment Service and, to the same extent with the relief agencies, because they will be dealing with people who may be unable to work, the large element of unemployables.

Senator MURRAY. Did you find that most of the large industrial organizations of the country laid off men in the fall of 1937?

Mr. BIGGERS. Senator Murray, we had no definite way by our process of knowing when men were laid off, or by whom, but certainly the evidence that we did have is that with the recession in business a considerable number of men were laid off; some prior to the time of this registration, and many since that time.

Senator MURRAY. Did you find it necessary, in your organization, to lay men off at that time?

Mr. BIGGERS. We reduced operations in one of our plants, where we had a serious inventory accumulation, for a period of 2 weeks.

Senator MURRAY. That was the same cause that led to a great many of them being laid off?

Mr. BIGGERS. Then we resumed operations in that plant, and we continued operations in all other plants, with practically no diminution or suspension, until late in December, when we had some suspension of operations during the Christmas holiday season. We are not operating at anything like normal capacity at the moment.

Senator MURRAY. You consider that temporary, of course, and expect, in the near future, to be able to put some men back to work?

Mr. BIGGERS. That is certainly my hope, sir.

Senator MURRAY. During the time these men are laid off, do you prefer to see them on W. P. A. work relief projects, or would you think some other system would be superior to that?

Mr. BIGGERS. You are speaking of our men, or of men in general?

Senator MURRAY. Yes; men that are laid off from industrial employment.

Mr. BIGGERS. I think, sir, that so much depends upon the period of the lay-off, and that is an uncertain element with all of us. As we reduce operations we try to spread the work, if that be the preference of the men, until you reach a point where, if you spread it any thinner, you would not have a living wage for anyone. Then you are forced to make certain curtailments, and those men, so far as I know, who needed relief, have been able to get some form of relief in their local communities, and, according to my information, that has largely been in the nature of local or State relief rather than W. P. A. employment.

Senator MURRAY. Of course, when you spread work like that, if you do not spread it too thin, it is possible for them to get along without seeking any relief whatever.

Mr. BIGGERS. Yes. Every hourly worker in our plants, including women, though we employ relatively few women, averaged $34.36 per week during this past year. Our men normally work 36 hours a week. You can reduce that to about 18 hours, or 20 hours, and the average man will still have what you might call a temporary sustaining income, but if you go below that you have got all of your people in a very uncomfortable position, where they cannot meet their normal living obligations, and it is an unsatisfactory situation, and everybody is dissatisfied. The workers themselves have pretty definite ideas about how far you can spread relief and when you reach the point where you cannot spread the work any thinner.

Senator MURRAY. In view of the census you feel that it is going to be absolutely necessary to carry on some system of taking care of the unemployed. Which do you prefer, the work-relief system, or direct relief?

Mr. BIGGERS. I think there are arguments in favor of both, but, personally, I feel that the present needs are so great with so many people unemployed, and we hope that many of them are unemployed for only temporary periods, that a greater number could, perhaps, be cared for adequately through proper direct relief, than through work relief, with the same number of dollars. In other words, the same number of dollars might go further in taking care of a temporary situation of this kind through direct relief than through work relief.

Senator CLARK. That is based purely on this temporary condition?

Mr. BIGGERS. Yes, sir.

Senator MURRAY. If it is not a temporary condition you, of course, prefer a system of employment, giving them jobs?

Mr. BIGGERS. I am not sure that I am fully convinced of that, sir. I think it has certain merits, but I think it is one of the problems that should be given very careful study in planning for reemployment.

Senator MURRAY. Are you not in favor of a well-planned program of public works, works of a regenerative character, that would add to the assets of the Nation, which would furnish an opportunity to employ men?

Mr. BIGGERS. Yes; I am, sir.

Senator MURRAY. There is a great demand for work of that kind, that could be carried on by the unemployed, and which would be a great benefit to the Nation, and which would advance it.

Mr. BIGGERS. Undoubtedly.

Senator MURRAY. There is a demand for work of that character in every section of the country, works that are regenerative, and that would assist in placing men in a position where they are going to be able to take care of themselves.

Mr. BIGGERS. Quite so.

Senator MURRAY. You would be in favor of a national program of that kind?

Mr. BIGGERS. I am in favor of governmental expenditures for constructive purposes at a time when there is a need for the Government to furnish employment and meet a situation, whether it be temporary or of longer range.

Senator MURRAY. That would be much superior to a dole system.

Mr. BIGGERS. I do not like the word "dole." Actually, what is the difference between a dole and unemployment insurance? It is called unemployment insurance in all the countries of Europe of which I know. It may popularly be called dole, or it may have been called a dole when it was introduced, but, as I understand it, unemployment insurance is quite comparable to what some people would call a dole. Therefore, I do not like the word "dole."

Senator MURRAY. I intended it to certify some form of direct assistance instead of work.

Mr. BIGGERS. I think, in the main, we are all better off if we have something constructive to do.

Senator MURRAY. It would be much better for the morale of the men if they could be placed in jobs instead of being given direct assistance.

Mr. BIGGERS. But when I said, sir, that I thought it was important to synchronize our relief policies and our reemployment program in this Nation, one thing I had in mind was that the work-relief program, as we now have it, involves payment of wages on what you might call the going level of wages to artisans of the various types. That, as I understand it, results in many communities, in a skilled artisan getting a pretty high hourly rate, and reaching his weekly maximum of W. P. A. work with relatively few hours of employment on that job. If he is ambitious and energetic that encourages him to seek other employment privately, and perhaps secretly, to augment his income, and in doing so he may accept that additional employment on the basis of what you might call substandard wages. So I think it presents a rather important problem in its effect upon the general wage scale. It is sometimes difficult to get a man in that situation to accept reasonable private employment when it is available to him through the United States Employment Service, or other sources.

That is why I think the two need to be pretty carefully studied. In principle, I think it is a good thing, but I think they have to be very carefully synchronized to see that they work toward the eventual objective of getting those people reemployed in private industry.

The CHAIRMAN. How about your people now that you have on 30—how many hours a week are you giving them?

Mr. BIGGERS. Our normal workweek is 36 hours.

The CHAIRMAN. Under the schedule since Christmas what are you working them?

Mr. BIGGERS. It varies in different plants and in different departments, but our operations, at the moment, are seriously curtailed because we manufacture various glass products, such as window glass and plate glass, and safety glass, the latter being for the automobile industry; and these other products for the building industry. Both of those industries have had rather sharp curtailments, for one reason or another, particularly the automobile industry, which had accumulated substantial inventories in anticipation of the production of new models. We have to sustain a lag in our production until their production picks up, and until they consume their inventories, so, at the moment, we have had to sustain a pretty sharp reduction.

The CHAIRMAN. What is the prospect in that particular line?

Mr. BIGGERS. It all depends upon those other industries, upon which we are dependent. It depends on how fast the automobile industry picks up, and what are the prospects in the building industry.

The CHAIRMAN. I know, of course, you have been giving thought to that, but there is some evidence of the automobile industry increasing production, isn't there? The Chrysler Co. called its men back, and so did Ford and Hudson. It gives you some encouragement, doesn't it?

Mr. BIGGERS. Yes. My own personal opinion is that this drop, or adjustment, or recession, has been so sharp that the excessive inventories which may have been the immediate cause will be consumed with pretty fair rapidity, and that we have every reason to expect a rather prompt resumption if the whole thing does not go beyond its present bounds.

The CHAIRMAN. You have ample credit. The banking situation is sound.

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. With the exception of the excessive inventories, what do you see in the way of a resumption, and a recovery?

Mr. BIGGERS. There were a number of things, I think we might all agree that, in one way or another, contributed to the present recession.

The CHAIRMAN. What do you say? We have had others give their views. I would like to have your views.

Mr. BIGGERS. Well, sir, I think that we are very dependent, first of all, upon world conditions. They have their reflex upon conditions in this country. Secondly, the Government had been spending Government funds quite freely in the year 1936, and rather substantially, or rather sharply, reduced those expenditures. Then a number of things were done, or, rather, a number of things happened, maybe unrelated to one another, but which had a restraining effect; maybe advisedly so, but, nevertheless, restraining. You have a change in reserve limits. You have an increase in margin requirements. You have sterilization of gold purchases. You have an announcement by

the President that prices have advanced too rapidly. You have strikes and labor disturbances. They create not only increased wages and a fear of increased prices, but, in my opinion, they have a very great effect upon the great increase of inventories, because they created a fear of material shortage. So many manufacturers were fearful that those strikes would continue, and they started in building up their inventories.

The CHAIRMAN. And they paid time and a half, sometimes?

Mr. BIGGERS. Sometimes they paid premiums.

The CHAIRMAN. Which increased the costs?

Mr. BIGGERS. It increased the costs and increased the wages, and prices advanced. In many lines, in my opinion, as selfish instincts permeated so many, or maybe all of us, prices were adjusted more than the absolute minimum required by the wage advances. The combination of those things and the increased inventories were not fully disclosed. Most people were trying to protect their own situation and maybe their suppliers did not know that they were buying from one or two other sources. The result was that it finally became apparent that buying power was declining and that these inventories had been accumulated more largely than people realized. Then fear prompted a rather quick application of the brakes. My belief is that the sudden fear, in part, dated back to the experience of 1929, 1930, 1931, and 1932. At that time people adjusted themselves too slowly, and they paid the penalty of misguessing the situation. Now, a great many people made a pretty sharp adjustment with a determination to clear up what they considered an unsound inventory situation, and to be prepared to go forward.

The CHAIRMAN. Because of their fear that there might be a recurrence of the conditions in 1932 they acted accordingly. Now, if inventories are reduced and the purchasing power of the people is restored they will go to the other extreme in restocking, will they not?

Mr. BIGGERS. I think we have a real problem to be sure that the rebound from this depression, if supplemented by artificial stimulants, is not too rapid.

The CHAIRMAN. Let me revert and ask you one or two questions about a particular situation. So far as Toledo is concerned, is the situation you described in your industry typical of the community?

Mr. BIGGERS. Toledo has had a very sharp decline in employment which I hope in other cases is as temporary as I believe ours to be, but it is partly because Toledo is very largely dependent upon the motor industry. We are only 60 miles from Detroit, and a great many motor products are manufactured in our city.

The CHAIRMAN. Do the men who are in your employment now, and who are employed for only half the time, go out and get jobs elsewhere?

Mr. BIGGERS. We cannot be sure of that, sir, but my judgment is that they would not be able to under existing conditions.

The CHAIRMAN. Why?

Mr. BIGGERS. Because so many other men in the same community are out of work, and other employers are not putting on people. We have a seniority rule in our plants, and when we put on men we reemploy our own men before giving any work opportunities to newcomers or strangers, and I think a good many plants follow that same procedure, sc I do not imagine our men would have much chance of getting temporary employment in other factories under existing conditions.

The CHAIRMAN. With reference to chances, in considering the question of work relief and relief, what are the relative chances of reemployment of the man who has been working, and one who has been totally unemployed for a year? If you were employing a man, would you give preference to a man who had been working during the past year as against a man who had not been doing any work for a year?

Mr. BIGGERS. We have never used that as a measure. We try to judge the man——

The CHAIRMAN. In judging him would you think it would contribute to his efficiency that he had been at work during the year, instead of being idle?

Mr. BIGGERS. A great many of the men, according to my personal experience, who are on relief, direct relief, do find ways of employing themselves at odd jobs, and around their own homes, and in that sense they keep their hands in, but perhaps not to the same extent as a man who had regular work, even though it be only 18 hours a week, as in the case of some W. P. A. project works.

The CHAIRMAN. When you were discussing W. P. A., and securing jobs elsewhere, did that apply to men who were employed on public works constructed under contract—I mean, such as limited hours?

Mr. BIGGERS. I do not think it would to the same extent, because I think their hours of work are longer. As a rule, a man does not seek an extra job if his time is reasonably well employed, because he is tired out by his normal work, and he has not time to work on something else.

Senator CLARK. If a skilled artisan has only 3 days' work a week, if he can find odd jobs to do on the side, he can do that, or he may find an opportunity to go into some other business that does not require skilled labor.

Mr. BIGGERS. I think so, Senator. The higher their hourly rate, generally speaking, the fewer hours of employment they receive, under the W. P. A. program, and they, therefore, have more opportunity, and if they are ambitious and energetic people, they will try to find some form of supplemental work.

The CHAIRMAN. All right. Thank you.

Senator DAVIS. Mr. Biggers, you said a moment ago that part of your business is dependent upon the automobile industry. I notice by the newspapers that they are discussing an annual pay for their workers. Would that be possible in the glass industry, to guarantee a year's work?

Mr. BIGGERS. I think it is a very desirable objective, and its attainability depends, I think, upon so many things; it depends upon what others do.

I should like to say we have worked very earnestly to that end as an individual company, and as evidence of that, while we have not guaranteed a year's employment we have tried to work with our customers so as to get advance orders and balance operations and avoid peaks and valleys, and the result is that during 1936 our factory workers, hourly workers only, received an average of $1,581.66, and during 1937 they received an average of $1,580.61.

Senator DAVIS. Did they work full time for that?

Mr. BIGGERS. I was going to say that in 1937 their yearly earnings were reduced by the fact that there was a general strike in the glass industry that shut down the whole plate-glass industry during all of January and the early part of February. So this covers 46 weeks'

work. For 46 weeks of operation they received an average of $1,580.61 in 1937, and that is the result of what we have tried to do individually to that end, although it is not guaranteed. They earned an average of 94.96, or roughly, 95 cents an hour.

Senator DAVIS. Have you any workers in your factory that work by the piece?

Mr. BIGGERS. Yes, sir. Only the skilled window-glass cutters.

Senator DAVIS. It would be more difficult to put them on an annual wage than it would be to put just the hourly wage worker, would it not?

Mr. BIGGERS. Yes; it would be more difficult to put the piece worker on.

Senator DAVIS. The industry you are connected with has made much use of modern machinery. Do you find that the machine increases or decreases employment?

Mr. BIGGERS. The machine in itself, the introduction of machinery in itself, almost invariably results in an immediate reduction of employment on that particular operation and in that particular place, and to some extent, therefore, results in a local dislocation of employment. The extent to which improved machinery improves products, reduces selling prices, and increases sales possibilities is a very difficult thing to measure. In our own instance—this [indicating on chart] is 1929; this [indicating] line crosses here. This is the measure of our employment. It dropped down to a low in 1932 of only 36 percent of the number of men we had in 1929. It rose on up to a peak in March of this year of 160 percent of the number of men that we had in 1929. It dropped at the end of this year——

The CHAIRMAN. The end of 1937.

Mr. BIGGERS. The end of 1937; excuse me. At the end of 1937 it was 146 percent of 1929.

Now, the hourly wage dropped about 22 percent or to 78 percent of 1929, in 1932, and has risen to a point which is now 151 percent of the 1929 level, and the price of our products has declined to a point where the average price of our products, all our products, is lower today than it was in 1932.

The CHAIRMAN. You say the average price is lower than in 1932?

Mr. BIGGERS. Yes, sir. I want to explain that may not be true of the average company. It is in answer to Senator Davis' question as to whether modernization of equipment or improvement of machinery reduces labor in a given industry. We developed during the depression what amounted to almost an entirely new industry. We developed, through research and manufacturing processes and advertising and sales effort the general use of safety glass in the motorcar industry. It was a new and more valuable product than they had used before, a more costly product, and that caused a new development in our industry and resulted in the upturns in employment.

The CHAIRMAN. The result is a decrease in prices, and at the same time you increased the employment and increased wages?

Mr. BIGGERS. That is true.

The CHAIRMAN. Did you displace the old workers?

Mr. BIGGERS. Some of the old workers were displaced, but having created a new product, with our extension of sales and decrease in prices, we created employment in the face of generally decreased sales, and the industry as a whole cannot do that. That is the reason I do

not want this to create a false impression, because if we had not created a new element in our business we could not have done that.

Senator DAVIS. Would it be possible, with the creation of this new element in your business, your industry, and the increase of profits from the use of machinery, to have the company take care of its men who have been displaced?

Mr. BIGGERS. It would be possible to do it for a short term, Senator.

Senator DAVIS. I mean to give them, inasmuch as they have been retired, a so-called retirement wage to enable them to try to find work elsewhere.

Mr. BIGGERS. I see what you mean, Senator. We have not displaced men in that sense, because the expansion of the other branch of our industry has enabled us to take men from one function and work them into another. If we displace men on our furnaces or on our lines, we give them an opportunity to adapt themselves to new work.

Senator DAVIS. Where they are displaced, what do you think of the suggestion that the profits from the machine be employed to provide some sort of retirement for those who are displaced, for a year or 2 years, or whatever it may be, so that he might find work somewhere else?

Mr. BIGGERS. I think in our case we have not had what we might call a formal pension plan, but old workers who cannot continue in productive work and who had been with the company a substantial period of time, have been taken care of by continuing payments adapted to individual situations. We have not an exact formal plan, because we have not known exactly what was the right thing to do.

Unemployment insurance, coupled with the old-age insurance provided for by the Social Security Act, in my opinion, is a wiser way of taking care of this situation than to depend upon individual companies, because some companies are able to do it, and other companies may not be able to do it and their workers would suffer.

The CHAIRMAN. I think what Senator Davis has in mind is that it is very difficult to secure unemployment insurance. Whenever you introduce new machinery, there is a temporary dislocation because of the inability of some employees to learn to handle those machines. What can be done to put them in jobs they can fill? That is the question.

Mr. BIGGERS. I think a good deal might be done, but I believe, sir, that this problem is so vast and has so many angles it requires the wholehearted cooperation of both the legislative and executive branches of the Government, industry, labor, and agriculture. This problem deserves united consideration and united effort. I am personally hopeful that if a reasonably small group of men, not so big as to be unwieldy, was designated—perhaps as a result of any decisions or recommendations your committee might make—and applied itself to a study of this problem, they could find many remedies for the unemployment problem.

The CHAIRMAN. We haven't gone into this study yet, but we intend to do so a few weeks from now, along those particular lines. It is just because it has been suggested here that we are asking you these questions.

To bring it down to your own case, as a result of the introduction of this new machinery and the manufacture of a new product, can you state or give us the figures now of how many of your employees who were in your organization prior to that time were displaced and new men taken in to run those machines and manufacture the new product?

Mr. BIGGERS. I tried to make that clear, but I may not have done so in my answer to Senator Davis. In our particular case, where we were fortunate enough to develop a new business, at the time of these displacements we gave all our old employees an opportunity for new jobs in new departments.

The CHAIRMAN. Were they able to take them?

Mr. BIGGERS. To a large extent; but in many cases a man's former skill was not available and he may have had to take a less advantageous job from the standpoint of rate.

Senator DAVIS. A lower rate?

Mr. BIGGERS. Yes, sir.

The CHAIRMAN. That is the whole question, because new skill is demanded for the new machine. What kind of a job did you then give a man, paying him less?

Mr. BIGGERS. In some of these cases I am quite sure that some of those people that in a sense had to be transplanted from one operation to another, at least temporarily, started in on a lower wage level, but I think you will find that with the general rise in wage levels that these individuals are today probably earning more than they were at the time of the transition. That is not necessarily to our credit. It is the trend of conditions.

Senator DAVIS. In this new industry you have just started, if a modern machine comes in and displaces the men, would it be possible for you to arrange to give some sort of retirement pay to a man while he is seeking work some place else, which work you cannot provide for him?

Mr. BIGGERS. It would be very desirable; but if a new machine came in and displaced our workers, it might very well displace us and thereby shut off the resources to do what we would like to do. Don't you think so?

Senator DAVIS. I am advised that the railroads have negotiated with the brotherhoods that they are going to do that where they are displacing men by a change in the divisions on the railroads. I was wondering if industry could do that when a new machine comes in and displaces a large number of employees, and they have no place else to go except to this unemployed insurance. And that only lasts 3 months.

Mr. BIGGERS. It only lasts 16 weeks, or something like that. It is a real problem and it is a problem that industry should face with the Government. In many cases it may be beyond the financial ability of the individual industry.

Senator DAVIS. As you pointed out a moment ago, the female end of the family now is anxious for a job. I think before the war we had 4 million women at work; during the war 4 million more were added; and since that time there have been over 2 million additional women at work. We didn't have that problem 40 years ago. The problem 40 years ago was to get the boy a job. Now you have to get the girl a job.

The CHAIRMAN. That is all, Mr. Biggers. Thank you very much.

STATEMENT OF FRED K. HOEHLER, DIRECTOR, AMERICAN PUBLIC WELFARE ASSOCIATION

The CHAIRMAN. You are the Director of the American Public Welfare Association?

Mr. HOEHLER. Yes, sir.

The CHAIRMAN. And you have made a survey of the various relief rolls in various sections in the country?

Mr. HOEHLER. We did, Senator, following your letter of December 17. We thought we could be of greater service to the committee if we answered your first question, which was, "What is the prospective unemployment and relief situation in the United States?" So we wrote to public officials in all States and in 100 cities or urban communities of 100,000 or more and I have here a compilation of replies from 38 States and 50 cities.

The indication in these replies is that we are facing a serious situation. We attempted to find the increase in the relief rolls from September through November, bearing in mind, of course, that we conducted this survey in the middle of December. We discovered that there were increases in the relief rolls varying from 1.8 to 75 percent in the cities.

There were increases in the cost of carrying these cases from 0.5 to 101 percent. In the States the increase in cases ran from 2.6 to 41 percent, and the increase in the cost from 2.2 to 60.5 percent.

The CHAIRMAN. What is the explanation of the increased cost?

Mr. HOEHLER. The lay-off of employees. For instance, take one city; you asked Mr. Biggers about his city of Toledo. We have their report that in 1 month's time there was a 30-percent increase in relief costs, due to a 34-percent decrease in employment in the past 2 months. While that was serious, and a large increase, it was not quite as serious in other cities. In every industrial community there is some increase in the amount of unemployment and resultant increase in applications for relief.

We discovered, and this is important, too, in forecasting the relief situation in the next 6 months, that in connection with these figures which Mr. Biggers supplied us through his Unemployment Census—by taking the relief cases in November, the same month in which the census was compiled, and comparing those figures with the numbers totally unemployed, we found that about 28 percent of the people totally unemployed were on relief.

We decided that there were certain factors of error in these figures which we had to refine, and by refining those factors, we arrived at an approximate figure of 35 percent of the 5,800,000 totally unemployed—not including those on work relief and those on P. W. A.—were on direct relief, which leaves a potential relief load of 65 percent.

Our experience in the relief sitution in this country has been that we never suffer, so far as the relief loads are concerned, as much real difficulty in the first month after unemployment occurs as we do in the next 2 or 3 months. There is always a lag. We have here figures which would indicate that about March 1 or March 15 we may reach the peak in applications for relief in the United States.

The CHAIRMAN. You are assuming that the present unemployment condition continues?

Mr. HOEHLER. Whether or not it continues, the absorption of unemployed men and women on jobs during the next 3 months will not be great enough to take all those people out of the unemployed group, so that in another month there will be more applying, because of reduced resources, and the following month there will be additional people applying because of reduced resources.

The CHAIRMAN. I get your point; that a man who is unemployed and has a little savings, will draw upon his savings, but gradually, as they are depleted, he will apply for relief.

Mr. HOEHLER. Yes, sir.

(The report referred to above is as follows:)

GENERAL RELIEF IN THE FALL OF 1937

The information in the following pages was furnished by officials in State and local public-welfare agencies in response to a questionnaire sent out by this Association in December 1937. It is not presented as a complete summary of the relief situation. It is intended only to indicate what is happening in most of the States and larger cities, together with some interpretation of trends furnished by the officials who are responsible for relief administration.

The following information for States and cities shows a general increase in both number of cases and the total amount of relief granted. The period shown is from August through November 1937. This period was selected as representing the beginning of the current business recession. While the increases shown in some of the States and cities appear to be slight, it should be pointed out that according to the statistics of the Federal Emergency Relief Administration the number of cases under care for the corresponding period in 1935 and in 1936 showed a decrease for the country as a whole.

Reference in these summaries to average amounts of relief granted per case is to the monthly average unless otherwise stated.

STATES

Alabama (*August through November 1937.*)—31.5 percent increase in the number of cases; 35.4 increase in the amount of relief granted.

The number of cases reported in this State represents two groups—the so-called unemployables, and employable persons for whom temporary assistance was necessary pending their acceptance on work programs. Local departments have felt that with limited local funds available it was necessary to use available funds for cases eligible under social-security classifications, so as to benefit by Federal and State matching funds. Temporary relief funds for emergency needs are paid entirely from local funds.

Industrial unrest and a slump in the price of agricultural commodities are the major factors in the increased load. The average amount of relief per case has been very small, less than $3 per month during period from September to December 1937. This average represents a decrease from the standards maintained in 1936.

A large increase in the number of applications was evidenced in November and December in both rural and urban areas. It is anticipated that a large number of persons eligible for unemployment compensation will require supplemental relief.

Limited relief funds available have limited administrative expense allowance.

Arizona (*August through November 1937*).—34.0 percent decrease in the number of cases; 41.7 percent decrease in the amount of relief granted.

The decrease in the number of cases was in large part the result of a large increase in the number of cases eligible under social-security classifications. While there was a slight decrease in the average amount of relief per case from 1936 to 1937, this was due to the fact that transients and certain institutional cases are not included in the general relief figures for 1937. There was, however, a marked decrease in the amount of relief per family case from 1936 to 1937 for the months of October and November.

Medical care for transient tuberculous and alien relief are at present the major unmet needs for general relief.

Arkansas (*August through November 1937*).—8.6 percent increase in number of cases; 10.5 percent increase in amount of relief granted.

All of the general relief funds are from the State treasury. It was estimated that only one-half of the funds needed for December would be available. The

average amount of relief per case was low, approximating $6 per case, but this represents an increase over the 1936 average.

California (August through November 1937).—2.6 percent increase in number of cases; 5.8 percent increase in amount of relief granted.

Reductions of Works Progress Administration allocations have resulted in an increasing load each month for the State relief administration. Approximately $7,500,000 has been budgeted for the State relief administration for the first 3 months of 1938. This figure is exclusive of administrative costs. For the same 3 months the counties in California will probably spend $750,000 per month for indigent relief cases.

The average amount of relief per case was slightly higher in 1937 than for the corresponding period in 1935 and 1936. The outstanding deficiency in the general relief program in California is the lack of any care for those who have been in the State less than 1 year and who are classified as transients by the State relief administration. Transients receive only emergency aid pending verification of residence and return to their local residence. Only temporary aid is available for migratory workers, seamen, and emigrants from floods, droughts, and other areas of catastrophe. Medical care and hospitalization services are inadequate and a rent survey conducted this year reveals inadequate housing for many of the low-income groups, particularly the seasonal and casual workers.

"If the relief load remains as large as it has been in the past year, it will be impossible for local political subdivisions to assume complete responsibility for financing public relief."

Colorado (August through November 1937).—10.1-percent increase in number of cases; 8.7-percent increase in amount of relief granted.

The $215,576 expended for general relief in November does not include all the obligations incurred in many counties for this type of relief. With responsibility for general relief entirely a county one, complete data on relief standards is unavailable.

Connecticut (August through November 1937).—23.2-percent increase in number of cases; 36.3-percent increase in amount of relief granted.

A large increase in the number of cases and amount of relief expenses is attributed to (*a*) the termination of agricultural employment in fruit and tobacco growing districts; (*b*) increased family needs on a seasonal basis; (*c*) decline in industrial and business activity noticed as early as September; (*d*) general curtailment of employment in textile plant towns—some plants are completely shut down, going out of business, or moving out of the State. Indications were that December reports will show a still greater increase in the number of relief cases in the State as a whole. Freight car loadings originating in Connecticut decreased to a greater degree than normal seasonal conditions would indicate.

Florida (August through November 1937).—0.6 percent decrease in number of cases; 2.3 percent decrease in amount of relief granted.

State department of public welfare has no funds for general relief and such as is given in the State of Florida comes largely from county funds, and the amount of money available in any one county largely determines size of case load.

The general relief situation would be improved and the needs of families would be more adequately met if funds were available for aid to dependent children from State general revenue funds.

Georgia (August through November 1937).—24.7 percent decrease in number of cases; 9 percent decrease in amount of relief granted.

The standards of general relief in Georgia have been at such a low level that many needy persons have been forced to look elsewhere for assistance or have gone without aid. The present decrease in the general relief load and expenditure is a temporary one brought about by the rapid increase in the number eligible for public-assistance features of the social-security program in Georgia. Low prices of cotton and other agricultural products in 1937 have not only again accentuated the relief problem, but have also jeopardized taxation as a source of funds for unmet relief needs.

The State's assumption of obligations for categorical relief has necessitated a special legislative session to raise the additional funds necessary. This appears to preclude any possibility of State grants for general relief any time in the near future. For the present general relief remains entirely a county responsibility.

The average amount of relief per case decreased to $5.87 per case in 1937.

Idaho (August through November 1937).—12.7 percent decrease in number of cases; 3.4 percent increase in amount of relief granted.

Reports for 25 of the 44 counties in Idaho reveal that in the latter part of 1937 local indigent funds were exhausted in some counties. On the basis of present budgetary requirements of general relief cases, available funds are approximately

50 percent adequate. A decrease of almost 30 percent in the average general relief grant from 1936 to 1937 was entirely due to scarcity of funds. Funds available for the period of January to April 15, 1938, will provide very meager allowances with respect to the needs of the transient group.

The decrease in case loads and in amount of relief is primarily due to scarcity of funds and not to reduced need.

Illinois (August through November 1937).—3.3 percent increase in the number of cases; 2.2 percent increase in the amount of relief granted.

Changing Works Progress Administration employment quotas and cyclical fluctuation in business activity and employment coupled with reduced business activity and decreased private employment in the last 3 months of 1937 apparently accounts in a large measure for the expected rise in the general relief case load. Estimated requirements for general relief are $6,434,000 for February 1938 and approximately $151,000 more than that amount for March 1938. These amounts include county-wide relief provided in the Chicago area and poor-farm relief paid out of the proceeds of the local poor-relief levies in down-State counties estimated at $63,000 per month. December relief needs were underestimated, and consequently an even greater inadequacy of the fixed amount of State relief funds available to meet these needs was revealed.

Not only has there been a shortage of general relief funds for the State as a whole since July of 1936, but certain local relief units have suffered from inadequate funds considerably more than others. The fixed amount of State relief funds available for local units and a formula with which State funds have been distributed are closely related factors. Reports submitted to State officials revealed not only a shortage of funds for meeting current relief needs but revealed a serious relief need in the coming months.

Indiana (August through November 1937).—35.1 percent increase in number of cases; 50.6 percent increase in amount of relief granted.

A marked increase in the relief load and expenditures was attributed to the unusual industrial retrenchment and to the early severe winter. A large increase in the load was expected for December and the long-time trend in this State indicated that the 1937 load is from 10 to 20 times larger than in predepression years. The increase in the W. P. A. quota has not been adequate to date to offset unusual increases in the relief load.

Funds available in a large number of townships are inadequate to take care of the unusual increase in November and December. Some townships are not spending more than was originally budgeted for each month; others are making all necessary expenditures and facing the possible shortage of funds later in 1938.

There has been a slight increase in the amount of relief per case in spite of the greater case turn-over and increased proportion of nonfamily persons on relief in 1937. Significant evidence of unmet need was found in the lowering of budget standards in some townships because of a lack of funds, credit, or other means of financing. Credit, as a resource for relief orders is expected, will break down in a number of townships if the present unforeseen increase in general relief continues.

Iowa (August through November 1937).—8.8 increase in number of cases; 18.8 percent increase in the amount of relief granted.

The increase in case load and relief expenditure finds its source in partial and intermittent unemployment as well as total unemployment. State funds are limited, and counties must have had 4 percent or more of the population receiving relief or must meet certain limitations on local indebtedness in order to receive State funds.

Ten out of every hundred persons in the State are partially or fully dependent upon public funds for support. Four of these ten are dependent because of age, illness, or disability. The remaining six are supported by Federal work programs, and half of these are receiving aid from the emergency-relief funds.

Kansas (August through November 1937).—3.1 percent increase in number of cases; 19.3 percent increase in amount of relief granted.

In spite of the large number of cases transferred to categorical assistance, the general relief load has increased. This factor, coupled with increased unemployment in the industrial centers, has caused an increase in the amount of general assistance given. There has been a slight decrease in the average amount of relief granted per case. The amount of general relief per case is probably not adequate. Available evidence indicates that probably the greatest general relief need is for medical care.

Maine (August through November 1937).—24.9 percent increase in the number of cases; 33.2 percent in the amount of relief granted.

Recession of business and seasonal employment were cited as major factors in the increase in case load. Approximately $320,000 was available for general relief in December, and for the first 3 months of 1938, $1,000,000 will be needed.

Maryland (August through November 1937).—13.2 percent increase in number of cases; 17.1 percent increase in amount of relief granted.

The present method of financing general relief is unsatisfactory because local units are not certain how much they will receive from State funds for relief, or when the funds will be available.

The average amount of relief per case for the period August to November shows very slight variation from 1936 to 1937.

Massachusetts (August through November 1937).—22.7 percent increase in number of cases; 9.4 percent increase in amount of relief granted.

The marked increase in the general relief load was attributed to (1) general business recession; (2) increased seasonal needs; (3) discontinuance of seasonal work; (4) decreased employment in Works Progress Administration; (5) necessity for supplementation of inadequate earnings.

The relief standards have remained about the same.

Michigan (August through November 1937).—37.8 percent in number of cases; 38.2 percent increase in amount of relief granted.

The marked increase in this State was attributed to a gradual lay-off of men, particularly in the motor industry, and to other industrial factors, national in character. The limited Works Progress Administration quotas and the general business recession were cited as causes for the rise in the relief load and unemployed. There was a steady rise in relief loads during the fall and winter months, reaching the year's high in December.

Missouri (August through November 1937).—11.5 percent increase in number of cases; 10.7 percent increase in amount of relief granted.

General unemployment throughout the State, seasonal trends and conditions resulting from the floods in the southeastern section of the State are basic factors in the increase in the relief load.

Since June the State has appropriated to the various counties 60 percent of the actual costs of relief but not all of the counties have supplied the balance needed to meet the full relief need.

The counties are not meeting the needs for housing and medical care and are supplying only such clothing as is available from Works Progress Administration sewing rooms. They are usually able to supply fuel only to families where there is no employable person. Limited appropriations have meant limited staffs and consequently inadequate investigations and limited services to applicants.

Montana (August through November 1937).—12.0 percent increase in number of cases; 21.9 percent increase in amount of relief granted.

Drought conditions in the eastern part of the State and slump in mining operations in the western part of the State have contributed to the increased relief load.

It was estimated that $80,000 per month will be needed for the next 4 months to take care of the general relief load. The amount of money available in the counties is dependent upon the rate of tax collection and the rate of tax delinquency in these counties.

Amount of grants for general relief is rather low and the increased number of applications coupled with the slump in mining will probably result in marked economy measures before spring so that available funds will not be exhausted.

Nebraska (August through November 1937).—26.1 percent increase in number of cases; 33.4 percent increase in amount of relief granted.

Summer drought and general business lay-offs during the fall months have contributed to the increase in relief loads and expenditures. Less than 5 percent of the general relief funds expended were from State funds; the greater share was from county funds.

The average amount of relief per case of $12 has remained on about the same level as 1936 standards.

Balances of relief funds in some counties are depleted, but the need for relief continues.

Nevada (August through November 1937).—51.3 percent decrease in number of cases; 32.5 percent decrease in amount of relief granted.

Reduction in the total relief load has been the result of a transfer of a large number of relief recipients to old-age assistance, but an upward trend was expected in December and the first 3 months of 1938.

There has been some decrease in the amount paid per case in 1937 as compared with 1936.

At the present time the source of relief funds is primarily local, with the State participating to an extent of about 17 percent for direct relief.

New Hampshire (August through November 1937).—21.9 percent increase in number of cases; 38.2 percent increase in amount of relief granted.

A widespread lack of employment in the shoe and textile industries was cited as the reason for a considerable increase in the relief load. The increase in case load and costs is in excess of the normal seasonal increase and if the recession in industry should continue, State funds for general relief will undoubtedly be exhausted by the end of April.

Local sources account for approximately 80 percent of relief costs, the balance coming from general funds of the State. One county in the State will not be able to meet the December obligations and awaits legislative authority permitting loans.

The average amount of relief per case increased slightly from 1936 to 1937.

New Jersey (August through November 1937).—19.4 percent increase in number of cases; 29.4 percent increase in amount of relief granted.

The business recession in the State was cited as the major contributing factor to the increase in the case load to 57,393 in November. If no additional funds are made available by the State, municipalities will be called upon to bear an additional share of the 1937 relief costs, amounting to $1,500,000.

Seventy-nine percent of the present general relief funds are from the State, and local governments supply the balance of 21 percent. It was estimated that $5,000,000 would be needed for general relief for the first 3 months in 1938.

There was a slight increase in the average amount of relief per case, the 1937 average being $24.30 per case.

New Mexico (August through November 1937).—2.9 percent in number of cases; 16.5 percent increase in amount of relief granted.

The general relief situation in New Mexico is becoming more acute each day, and with no resources other than surplus commodities available it seems impossible to prevent suffering during the next 3 months. Early in 1937 the State department limited general relief to "unemployables." The small case load is partially a result of general relief cases being transferred to categorical assistance programs. No allowance was made in the 1938 budget for assistance to employable persons in families who might be in need of relief. The curtailment of Works Progress Administration and the present employment situation in the State have caused a marked increase in applications from employable persons.

The average amount of relief per case for the periods from August to November 1937 is now, with relief grants averaging from $6.77 to $8.22 per case per month. The situation in relation to unmet needs is so acute that an intensive survey throughout the State of the unemployment situation will soon be made.

New York (August through November 1937).—9 percent increase in number of cases; 14.2 percent increase in amount of relief granted.

The following factors were listed as basic to the increased size and trend of th present case load: Increased lay-offs in private industry; increased cost of living curtailment of Works Progress Administration projects (especially in urban cen; ters); increased budgetary needs in winter months; more rapid exhaustion o- accumulated savings and reserves.

The State meets 40 percent of the total general relief expenditures and the local units meet the balance from a variety of sources ranging from temporary certification of indebtedness, to bonds, sales tax, current revenues. There was a slight increase in the average amount of relief per case per month from 1936 to 1937, but this increase was primarily the result of increased costs for food, clothing, and housing in New York City. The New York City figures are emphasized because they represent more than 70 percent of the case load of the entire State.

North Carolina (report from 100 counties, August through November 1937).—12.5 percent in number of cases; 0.5 percent decrease in amount of relief granted.

The present decrease in general relief cases (and also in Works Progress Administration cases) has been almost entirely offset by an increase in the csae loads falling under the separate social security assistance categories. The total number of cases receiving assistance from public funds, which actually decreased from August through November to a total of only 4,745, is no indication of the total number of cases in need of relief. In November the total case load reached 32,365. The figures indicate that less than 20 percent of the total open case load of general relief cases actually received monetary assistance from the county welfare departments. The balance of the open case load were recipients of surplus commodities or received no other assistance whatever. This, in itself, is an indication of unmet needs for general relief. With a decrease in the number of persons employed on Works Progress Administration and with the limitations on appropriations for public assistance, it is evident that at least temporarily there will be continued unmet needs for general relief, unless the county welfare departments are able to secure additional appropriations from general county funds.

The decrease in the number of recipients of general relief was accompanied by an increase in the average amount of relief per case.

North Dakota (August through November 1937).—25.4 percent increase in number of cases; 29.5 percent increase in amount of relief granted.

During the first 11 months of 1937 an average of 33.5 percent of the total population of North Carolina was represented in the families of persons receiving various forms of public assistance. Federal relief programs provided assistance to approximately 82 percent of these persons. The public-assistance program under the Social Security Act provided assistance to 3 percent and the general relief program provided assistance for the residual load of 12 percent of the relief population.

The general relief load, financed wholly from State and county funds, is in part a result of 7 years of partial or total crop failure throughout the greater part of the State and droughts in the Great Plains area.

No funds for State grants-in-aid to counties to cover general relief requirements for December were available at the time of this study. The State general fund was overdrawn in December and the borrowing capacity of the State government was extremely limited. A collapse of the general relief structure was forecast as certain because of additional urgent demands upon State funds. It was estimated that over a million and a half dollars would be required for the first 6 months in 1938. With a return of general relief as the entire responsibility of the local community, approximately two-thirds of the counties would be unable to meet the demand. The average amount of relief per case has remained fairly constant for the fall months of 1936 and 1937.

Un-met needs are found in medical assistance and dental areas, especially among the children, where malnutrition exists at a high rate because of subsistence relief budgets for a period of years.

Ohio (August through November 1937).—15.4 percent increase in number of cases; 8.5 percent increase in amount of relief granted.

The sudden cessation of industrial activity during the months of November and December, coupled with the normal increase in unemployment due to seasonal factors, resulted in a further increase in case load. It was estimated that almost $4,000,000 would be needed in the State for general relief for December and January.

Relief standards vary widely with the availability of funds and present relief standards are far below standards believed to be necessary and below those which existed in 1936.

In many localities in the State, general relief is granted only to family cases and consists principally of food orders and fuel on a restricted scale. Very few communities are granted other budgetary items considered necessary.

Oregon (August through November 1937).—51.6 percent increase in the number of cases (based on the estimated number of cases in December).

The extraordinary increase in case load was attributed to (1) general business conditions, (2) jurisdictional labor trouble, particularly in Portland, (3) influx of nonresident persons, particularly from the central part of the country. Some of the counties, during the last half of 1937, paid almost their entire proportionate part for relief from their emergency funds which, in some cases, was very difficult.

The funds needed during the months of November and December 1937 and January 1938 have been substantially greater than the amounts required a year ago. It is impossible to make estimates for the first 3 months of 1938 for the following reasons: (1) Old-age assistance eligibility requirements will be modified in January, (2) unemployment compensation payments will begin in that month. These two factors, coupled with the labor difficulties, made estimates impossible. The applications for general relief have been exceedingly heavy throughout the State over the period of the last 4 months, and while every effort has been made to meet the need, we are advised that this has been done in some counties only at the expense of some other regular programs of the local communities.

Pennsylvania (August through November 1937).—3.2 percent in number of cases; 2.5 percent decrease in amount of relief granted.

From July until September 1937 the State's general relief rolls increased in response to drastic summer curtailment of Works Project Administration considerably in excess of the rate at which dismissed Works Progress Administration workers could be absorbed in industry. Most of the net increase in general relief, amounting to 12,000 between July 1 and September 1, was due to former Works Progress Administration workers returning to direct relief. In October a downward trend set in with transfers to both private employment and Works Progress Administration contributing to reductions of more than 1,000 cases each week. The rising tide of transfers to Works Progress Administration, however, was more

than offset by the rising tide of unemployment in the wake of industrial lay-offs throughout the soft-coal and steel-producing areas of the State. The November average of 144,000 cases receiving general relief fails to indicate the sharp up-swing in load which began in November and has continued until the present time. There was an increase to 173,312 cases on December 25, an increase of more than 21 percent.

The average relief grant per case was comparatively low and was described as inadequate to maintain families at a health and decency level.

Rhode Island (August through November 1937).—29.4 percent increase in number of cases; 39.5 percent increase in amount of relief granted.

The current recession in industry was indicated as a basic cause for the increase in relief load and expenditure. The State, which meets almost one-half of the total general relief expenditure, had approximately $140,000 available for its share of the relief load for December.

The average amount of relief per case remained consistent for the fall months of 1935, 1936, and 1937.

South Carolina (August through November 1937).—21.6 percent increase in number of cases; 60.5 percent increase in amount of relief granted.

Reports indicate that the State has not yet had time nor funds to reach the peak of a general relief case load. After 2 months of operation by a new State agency there were pending on December 1 over 1,000 applications for general relief representing a total of approximately 10,770 individuals. An increased case load in January because of crop conditions and severe curtailment in industry was indicated. The distribution of surplus commodities in the State indicates a much larger general relief load than the less than 1,000 cases reported on general relief in November.

The average amount of relief per case in December was $11.63. The average grant in the state ranged from $3.75 to $15.80. Variations were caused by differences in the attitude of county boards, restricted resources of funds and other individual case variables.

No assistance was available for certain groups, such as (1) cases whose distress is the result of the unemployment of one or more members of the family who is "unemployable" or "semiemployable"; (2) cases whose distress is an emergency situation (acute rather than chronic illness); (3) cases whose eligibility for categorical relief is evident but because of technical reasons cannot be proven. Adequate medical care is unavailable to large groups—to the relief and borderline relief population.

Tennessee.—Since general relief was issued only on an emergency basis to individuals potentially eligible for public assistance under the Social Security Act, the actual reports on cases and amounts of relief do not reveal the current general relief situation. There is, however, indication of a serious need for general relief in the amount of surplus commodities distributed in the state.

Utah (August through November 1937).—5.5 percent increase in number of cases; 14.2 percent increase in amount of relief granted.

An increase in case load was expected as the Works Progress Administration quota is much lower and the opportunities for private employment are considerably less than they were last winter. Applications from employable persons are expected to increase rapidly during the remainder of the winter as seasonal employment opportunities decrease and because of recent reduction in mining activities. For December 1937 at least $12,000 will be required to meet obligations for general assistance exclusive of transient assistance and institutional care. Since a large part of the funds needed must come from the State, the situation is very serious because the present State revenue is approximately $17,000 per month below obligations incurred. There is no present prospect of augmenting the funds available. Assistance to employable households is given on an emergency basis, while in an unemployable household it is issued on a basis of need. Medical care and hospitalization are unavailable in many counties for dependent persons.

Virginia (August through November 1937).—4.9 percent increase in the number of cases; 12.1 percent increase in the amount of relief granted.

The present business recession indicates an anticipated peak load of approximately 19,500 cases during the spring of 1938.

For the first quarter of 1938, State grants to localities plus local matching funds will total approximately $320,000. The State public assistance program maintains an average grant per case of about $15, with the lowest grant being made in aid to the aged cases which average about $5 per month. On the whole, relief needs in Virginia are being made as adequately as administrative policy will allow. The difficulty is not so much in the amount of funds available as in the

natural conservatism of local welfare and government officials. In spite of limited funds at the present time, however, local organization is generally effective and nonpolitical.

Washington (August through November 1937).—36.7 percent increase in the number of cases; 34.1 percent increase in the amount of relief granted.

The rapid increase in the number of persons served during the past 4 months is due in large degree to the number of employable persons receiving general assistance. A 1-day census taken on July 29 compared with a similar census on December 23 revealed an increase in the number of employable persons on relief of 269 percent, or a total of 13,511 persons. For the same period the number of unemployables on relief decreased about 16 percent. The following causes were cited as reasons for the increase in the number of employables: (1) The usual seasonal decrease in employment, (2) labor disturbances in the timber industry, (3) inability of the Works Progress Administration to absorb the employables rapidly enough. When employable cases on general relief for 1936 are compared with related information in December 1937, there is revealed an increase of 124 percent in the number of cases.

Estimated budgets from the county welfare departments for the period October through December for general relief total twice the amount of money which was available from the county and State funds. Radical reductions in relief became necessary, and in many instances, large overdrafts were created which reduced the funds available for the many months of the budget which ends March 1, 1939.

The estimated budgets for January, February, and March 1938, amount to three times the total of funds available and even more radical reductions will be necessary unless further W. P. A. quota is immediately available. It was necessary to reduce general relief grants from November 1st on, due to the tremendous increase in applications. December figures will show a still further decrease in the grant per case.

West Virginia (August through November 1937).—6 percent decrease in the number of cases; 3.4 percent increase in the amount of relief granted.

The decrease indicated in the relief load and amount of money expended do not take into consideration over 50,000 persons who became unemployed and which will materially increase the general relief applications throughout the winter months. The State meets 75 percent of the total relief cost from State funds with the counties meeting the balance.

The average relief grant per case rose from $11 in 1936 to $15 per month in 1937. These general relief grants were considered inadequate.

Wisconsin (August through November 1937).—31.7 percent increase in the number of cases; 45.3 percent increase in the amount of relief granted.

The case load has increased very sharply since August, and a marked increase was observed in November with a greater increase expected for the month of December. A short recession in industrial employment, decline in seasonal employment, and other seasonal changes are described as important factors in the increase. Farm-security administration, Works Progress Administration, and unemployment-compensation programs have lessened the need for relief in this area. Allotments for general relief of $64,150 for December and $73,150 for January, in addition to the funds disbursed in each county, were made by the State.

Many counties have sharply reduced their relief standards during the past year. In some counties, budgets have been cut as much as 50 percent, and in very few counties were budgets increased to adjust to the rise in the cost of living. Eligibility standards have been tightened so that many persons formerly accepted as in need of relief are no longer eligible. The increase in the number of complaint letters reveals inadequate programs on county levels. Living conditions in rural families are below depression standards in some areas. Funds available from the State will care for only the essential needs of many of the families in these areas. The average grant per case has declined from 1935 standards.

Wyoming (August through November 1937).—41.1 percent increase in the number of cases; 17.6 percent increase in the amount of relief granted.

The increase of seasonal unemployment within the State and a Nation-wide recession that has affected employment in general are important factors in the increasing case load. A total appropriation of $500,000 has been made from the sales-tax fund, to be allocated on the basis of one-twelfth of this amount being made available each month for direct relief. The average relief grant per case varied in the 4-month period from $15.85 to $19.06.

CITIES OF OVER 100,000 POPULATION

Akron, Ohio (*August through November 1937*).—5.1 percent increase in number of cases; 28.1 percent increase in amount of relief granted.

During December a much sharper increase in number of cases is reported. As contrasted with an increase for the previous 3 months of 84 cases, there was an increase in December of nearly 500 cases. The chief contributing factor is steadily increasing unemployment, 14,000 workers having been laid off since June.

Since June 1, 1937, the city finance department has run a deficit of more than $250,000. No provision has been made to date for funds for January, February and March, 1938. The city council has authorized the director of welfare to mail food orders to relief clients for a short time on credit in the city with no funds appropriated as yet. Since August 1, the family budget, which had previously been based on Government standards issued by the United States Department of Agriculture, was cut 25 percent.

Atlanta, Ga. (*August through November 1937*).—⅛ percent increase in number of cases; 0.5 percent increase in amount of relief granted.[1]

The slight increase in number of cases is not matched by a proportional increase in relief granted. The average per case is decreasing steadily, being $12.39 in 1935, $11.68 in 1936, and $9.79 at present.

Baltimore, Md. (*August through November 1937*).—2.4 percent increase in number of cases; 12.1 percent increase in amount of relief granted.

Birmingham, Ala. (*August through November 1937*).—28.7 percent increase in number of cases; 13.0 percent decrease in amount of relief.[1]

There is no general relief program in the accepted meaning of the term in Birmingham. Assistance is given only where the head of the family is under 65 years of age, where there is no child under 16, and where there is no employable member. Relief is not available to any employable persons except in cases of acute emergency. Limitation on administrative expense has slowed the process of certification of cases to the Works Progress Administration. The only resource available for these cases has been surplus commodities.

The monthly average amount of relief per case has increased over the 1936 figure of $7.97 but is still low for a metropolitan area, being at present $8.91.

Bridgeport, Conn. (*August through November 1937*).—31.2 percent increase in number of cases; 29.7 percent increase in amount of relief granted.

The sharp increase from August to November 1937 is attributed to increasing unemployment. The city is apparently able financially to meet increased needs. Relief standards are considerably improved when contrasted with those of 1936. It has been necessary to add to the staff of the local public department.

Buffalo, N. Y. (*August through November 1937*).—11.2 percent increase in number of cases; 31.8 percent increase in amount of relief.

The increased case load is attributed largely to a decrease in Works Progress Administration employment. There is apparently no serious financial situation, standards having been maintained despite the increase in cases.

Canton, Ohio (*August through November 1937*).—43.8 percent increase in number of cases; 62.7 percent increase in amount of relief granted.[1]

The sharp increase in the number of cases is attributed to increasing unemployment. Standards are reported as too low, $18.50 being the average amount of assistance granted per case. The efficiency of administration is reported as greatly reduced by limitations on administrative expense.

Chicago, Ill. (*August through November 1937*).—0.8 percent decrease in number of cases; 5.2 percent decrease in amount of relief granted.

During the month of December the number of cases being assisted rose to 88,739, which represents an increase of 4.2 percent over the August figure.

An arbitrary 0.8 percent limitation on administrative expense under the State law has seriously impaired the ability of the Chicago Relief Administration to investigate cases. Applications pending at the end of October totaled 5,074; at the end of November, 9,289; and at the end of December, 11,405. Practically no follow-up visits are possible. It is estimated that the January case load will reach 92,000, representing an increase of 8.1 percent over August 1937. It is reported that there is available currently only about 80 percent of the money needed for general relief on a minimum-subsistence basis.

Cincinnati, Ohio (*August through November 1937*).—18.3 percent increase in number of cases; 21.6 percent increase in amount of relief granted.[1]

The increase shown from August through November 1937 represents only a partial index of the need, since intake has been arbitrarily limited due to a shortage of funds. Any family in which there is an able-bodied person has been denied

[1] Taken from data based on entire county in which city is located.

relief except in cases involving illness or young children. Case loads of over 1,000 are reported in the city relief department so that it has been necessary to accept applications and grant relief without any field investigations in some cases.

Funds are inadequate, only $170,000 being available for the month of December. A local work program initiated by the city in connection with the relief department has had applications during December from 5,700 men. During the first 3 weeks of the month, only 1.193 had been assigned to work. Thus, over 4,000 who registered for work have received neither work nor relief.

Standards are low, $22.09 being the average per case for November. Inasmuch as the clients represented were generally the totally dependent group, those involving sickness and those with large families, this average is more inadequate than would be the case with a normal relief group.

A recent census of school children showed more than 800 lacking adequate clothing. Private agencies have been besieged by tragic cases of destitution. A large number of persons have sought to place their children in institutions, and crime and delinquency have increased. Social workers representing private agencies and community chest officials have stated that the situation is worse than at any time during the depression.

Columbus, Ohio (August through November 1937).—3.3 percent increase in number of cases; 55.3 percent increase in amount of relief granted.

The rise in the number of cases is attributed to an unusual amount of unemployment during the past 3 months. Standards, in general, have been maintained. There is, however, an arbitrary rule denying assistance to applicants if they are able-bodied, have no problem of illness, and are either single persons or families of two adults. It is reported that inability to increase staff with increasing relief demands has cut down the number of home visits and other investigations so that cases have been carried beyond the time when they would normally have been closed.

Dayton, Ohio (August through November 1937).—11.3 percent increase in number of cases; 27.5 percent increase in amount of relief granted.

The increase in the case load is attributed chiefly to recent unemployment. Standards are slightly lower than in 1936 and the needs of the community are not being adequately met. A serious limitation on the effectiveness of the service is the limitation on administrative expense.

Denver, Colo. (August through November 1937).—2.6 percent increase in number of cases; 2.2 percent decrease in amount of relief granted.[1]

The slight increase in case load represents but a part of the growing need which has developed as a result of increasing unemployment. Denver is not an industrial center, much of the employment being seasonal in character. The current decline in employment is more than seasonal, however. A survey of the case load in August showed 14 percent classified as employable; in November, 25 to 30 percent. It has been possible to close cases to the Works Progress Administration promptly so that the increase in case load shows only a part of the increased need.

Standards are considerably lower than in 1936. The average assistance per month for the 4-month period of August to November, inclusive, 1937, was $7.92 as against $11.83 for the same period in 1936.

With available funds, only 40 percent of a minimum subsistence budget can be granted to each case. Schools are reporting a higher percentage of nonattendance than ever before, which is attributed to both illness and lack of clothing.

Detroit, Mich. (August through November 1937).—16.4-percent increase in number of cases; 36-percent increase in amount of relief granted.

The increase in number of cases is attributed to growing unemployment in Detroit. As of January 7, it was reported that money was available for only 2 more days. It was expected, however, that local and State funds would be made available in the current crises.

During the month of December 82,000 men were laid off in the city of Detroit. During the first few days in January relief applications had been received at the rate of 1,200 applications a day. Unless Works Progress Administration employment is greatly increased, or unless there is a complete reversal in the present trend in the production of automobiles, both State and federal funds for unemployment relief appear to be absolutely essential.

Duluth, Minn. (August through November 1937).—40.4-percent increase in number of cases; 78.0-percent increase in amount of relief granted.[1]

[1] Taken from data based on entire county in which city is located.

Elizabeth, N. J. (*August through November 1937*).—18.7 percent increase in number of cases; 31.3 percent increase in amount of relief granted.

The increase in case load is attributed to increased lay-offs in private industry. While standards of food relief have been raised during 1937, it has been necessary to adopt a rigid policy on rent, utilities, etc.

Fort Worth, Tex. (*August through November 1937*).—8 percent increase in number of cases; 7.8 percent increase in amount of relief granted.

The increased case load is attributed to fluctuations in seasonal employment and to Works Progress Administration lay-offs.

Gary, Ind. (*August through November 1937*).—63.2 percent increase in number of cases; 101.3 percent increase in amount of relief granted.[1]

The increased case load is attributed to closing of industrial plants and to a gradual decreasing of Works Progress Administration employment. A further increase of approximately 3,000 is anticipated for the month of December. The one hopeful factor is that the Works Progress Administration is increasing employment in Gary currently.

Grand Rapids, Mich. (*August through November 1937*).—16.8 percent increase in number of cases; 22.5 percent increase in amount of relief granted.[1]

A decline of 16.8 percent in the case load from August to November, as shown on the attached table, is a very poor indication of the relief situation in Grand Rapids. The case load showed the normal seasonal trend until the month of December. From December 1 to 28, 1,201 new cases were opened, representing a net total of 2,734 cases as of December 28, or an increase of 13.7 percent since August. A survey of December applications has shown the majority to be people formerly employed in furniture, metal, automotive, and building industries and now laid off for an indefinite period. Food budgets are 10 percent under the restricted level recommended by the Bureau of Home Economics of the Department of Agriculture.

Houston, Tex. (*August through November 1937*).—6 percent increase in number of cases; 8.7 percent increase in amount of relief granted.[1]

Jacksonville, Fla. (*August through November 1937*).—11.6 percent increase in number of cases; 24.7 percent increase in amount of relief granted.[1]

A slight increase is noted in the number of cases. According to information, however, the size of the case load is determined entirely by the budget and not by the needs presented. Funds are insufficient to meet these needs. It is reported that many people are suffering because of lack of relief, that those persons who are receiving relief are not being properly cared for because of the low standards made necessary by restricted funds, and that the agency staff is too small to do thorough work.

Kansas City, Mo. (*August through November 1937*).—25.8 percent increase in number of cases; 28.8 percent increase in amount of relief granted.

The increase in case load is attributed both to increasing unemployment as a result of the business recession and to strikes which have caused plants to shut down completely. Relief standards are low for a metropolitan area, the average amount of relief per case being approximately $11.50.

Lowell, Mass. (*August through November 1937*).—75.3 percent in number of cases; 61.7 percent increase in amount of relief granted.

The sharp increase in case load is attributed to increasing unemployment. Standards are, however, being maintained.

Lynn, Mass. (*August through November 1937*).—56 percent increase in number of cases; 56.7 percent increase in amount of relief granted.

Milwaukee, Wis. (*August through November 1937*).—40.6 percent increase in number of cases; 41.2 percent increase in relief granted.[1]

The increase in case load is attributed to continued lay-offs in private industry. In November 1, 1,669 applications of a total of 4,000 for the month were accepted because of loss of jobs in private industry. Relief standards have been maintained at the same level as in the past few years.

The present increase in number of applications together with inability to add to the staff has forced a drastic decrease in the specialized services of the department in order to release personnel to the intake division. The most noticeable loss has been the practical discontinuance of the case work division, which consisted of 15 workers for the handling of the most difficult problems presented by relief families.

New Bedford, Mass. (*August through November 1937*).—29.6 percent increase in number of cases; 47.2 percent increase in amount of relief granted.

New Orleans, La. (*August through November 1937*).—10.2 percent increase in number of cases; 2.5 percent decrease in amount of relief granted.[1]

[1] Taken from data based on entire county in which city is located.

The above increase in number of cases is not a true indication of the need for general relief inasmuch as available funds limit both the number of cases and the amount of relief to be granted. This explains also the decrease in total of funds expended. At the end of November there were 3,234 applications for assistance which had not been acted upon, representing approximately 130 percent of the total case load at that time.

Standards have been raised from a monthly average grant of $15.91 in November, 1936, to $18.94 in November, 1937.

The pressure of relief activity has made any preventive and rehabilitative work impossible, although the local department is now trying to get such a program under way.

New York, N. Y. (*August through November 1937*).—0.2 percent increase in number of cases; 7.6 percent increase in amount of relief granted.

The negligible increase shown for this period by the above figures is not a true reflection of the picture in New York City. From October 29, 1937, to December 24, 1937, there was a net increase of 10,625 home relief cases, or approximately 30 times the increase shown in the August to November figures. A striking contrast is provided by the number of applications. In September the daily average of applications was 742, but in the week ending December 24 the average was 1,491, an increase of over 100 percent. The principal factor in this rise is believed to be the drop in business activity.

Standards are being maintained, a typical family of four receiving on a budgetary basis in October, 1937, $63.14 in cash with surplus food and clothing valued at $4.10 additional.

Norfolk, Va. (*August through November 1937*).—22.3-percent increase in number of cases; 28.2-percent increase in amount of relief granted.

The increase in number of cases is attributed to seasonal reduction in agricultural work and discontinuance of work at summer resorts. Strikes and industrial shut-downs are also factors.

Standards have been steadily increasing, although they are still considered inadequate.

Evidences of unmet needs in the community are numbers of undernourished and poorly clothed children in the schools, a number of children staying home from school for lack of shoes, and an increased incidence of tuberculosis.

Oakland, Calif. (*August through November 1937*).—14.8-percent increase in number of cases; 15.7-percent increase in amount of relief granted.[1]

The increase in case load is attributed both to strikes and to lack of seasonal work. Funds for relief are reported as being adequate and standards are based upon an accepted family budget.

Oklahoma City, Okla. (*August through November 1937*).—20.4 percent decrease in number of cases; 0.5 percent decrease in amount of relief granted.[1]

The decrease in number of cases is attributed largely to transferrals from general relief to categorical public assistance. Relief standards are low, families being served by public welfare boards receiving an average of $5.50 per month.

Inadequate staff in other programs has meant a delayed decrease of the general relief rolls in Oklahoma City. The decrease would have been much greater had it not been for new cases resulting from seasonal unemployment.

Peoria, Ill. (*August through November 1937*).—12.5 percent increase in number of cases; 28.3 percent increase in amount of relief granted.

The case load has increased as a result of lay-offs in about 15 different industries in Peoria and East Peoria. It is reported that a shortage of funds has resulted in failure to meet the relief needs of the community.

Philadelphia, Pa. (*August through November 1937*).—2.8 percent increase in number of cases; 4.3 percent increase in amount of relief granted.[1]

A much sharper increase than the above is indicated by the activity of the relief agency during the month of December. This increase is described as "considerably more than seasonal" and is attributed to the current recession in business activity.

Shortage of funds resulted over a year ago in the abandonment of the medical-care phase of the general relief program. Present standards do not meet needs on the cost of living basis and are reported as being "60 percent inadequate."

Providence, R. I. (*August through November 1937*).—20 percent increase in number of cases; 36.2 percent increase in amount of relief granted.

Along with the increase in cases reported above, it is reported that in October and November several hundred new cases were certified to the Works Progress Administration. This general increase is attributed to increasing unemployment, in some cases caused by the permanent closing of local industries.

[1] Taken from data based on entire county in which city is located.

Present relief standards are similar to those of 1936, having increased gradually for the past 8 years. Despite the comparative maintenance of standards, it is still felt that the food budget used in the majority of cases is inadequate according to present price levels. Failure to make allowances for rent is also a problem locally.

Reading, Pa. (*August through November 1937*).—26.5 percent increase in number of cases; 32.2 increase in amount of relief granted.[1]

Richmond, Va. (*August through November 1937*).—1.5 percent increase in number of cases; 19.4 percent increase in amount of relief granted.

The increase in number of cases is attributed to cutting down on the number of working hours in local industries and the falling off of constructive work. Some of this increase has, however, been taken up by an increase in the local Works Progress Administration quota.

Standards are slightly higher than in 1936, although the average amount of relief per case is still only $11.40 per month. The local agency has no plan for paying rents.

Rochester, N. Y., (*August through November, 1937*).—16.8 percent increase in number of cases; 49.9 percent increase in amount of relief granted.

This increase is attributed to growing unemployment. The increase in the last quarter of 1936 totaled 685 cases while the increase for the same period in 1937 totaled 1,176 cases. Relief standards are being maintained, and it is felt that the present emergency will be adequately handled by joint State and local funds.

St. Paul, Minn. (*August through November 1937*).—18.9 percent increase in number of cases; 31.2 percent increase in amount of relief granted.[1]

An even sharper increase in number of cases is reported for December. This tremendous increase can only be accounted for by increased unemployment.

It is reported that practically all local funds for relief have been made available through bond issues since January 1, 1933. No funds are available beyond January 1, 1938, without further bond issues.

Standards have been maintained at the level of the so-called adequate diet at minimum cost of the United States Department of Agriculture. Fluctuations in prices have been met by increasing or decreasing the amount of relief granted. It is felt locally that relief needs in general are being met. However, the general relief budget for the next 5 or 10 years is anticipated as being in excess of $3,000,000 per year. Growing local feeling is reported to the effect that relief expenditures should be arbitrarily reduced and that people on relief should be forced somehow or other to take care of themselves. It is feared that it may be difficult to maintain standards at a subsistence level during the next several years.

Salt Lake City, Utah (*August through November 1937*).—5.8 percent increase in number of cases; 11.2 percent increase in amount of relief granted.[1]

Curtailment of production in metal mines is resulting in increased unemployment in the community as well as a similar lack of activity in the building trades. This latter condition is reported as being abnormal, resulting from cancelation of a number of contracts locally. These factors are added to the seasonal low point in agricultural employment.

The greatest concern is expressed for single employable individuals, as it is difficult for them to secure employment, the only resource available being emergency work with the Works Progress Administration.

Housing conditions of relief families are reported as being particularly poor.

San Francisco, Calif. (*August through November 1937*).—32.8 percent increase in number of cases; 29.5 percent increase in amount of relief granted.[1]

The current increase is attributed partly to the growing unemployment and partly to more rigid standards of employability in the State relief administration, resulting in the assumption by the city-county of responsibility for more "unemployable" cases.

Standards in general are being maintained, the outstanding un-met need being for care of nonresidents migrating to California. It is reported that there is no appreciable difference in the entire relief picture in San Francisco from the picture in 1933.

Scranton, Pa. (*August through November 1937*).—12.7 percent decrease in number of cases; 14.6 percent increase in amount of relief granted.[1]

Somerville, Mass. (*August through November 1937*).—21.1 percent increase in number of cases; 30.3 percent increase in amount of relief granted.

The increase in number of cases is attributed to increased unemployment locally. Standards are, however, higher than in 1936.

Springfield, Mass. (*August through November 1937*).—15.8 percent increase in number of cases; 28.1 percent increase in amount of relief granted.

[1] Taken from data based on entire county in which city is located.

This increase is attributed to increased unemployment in private industry together with curtailment of Works Progress Administration employment during the latter half of 1937.

It is reported that sufficient funds are available to meet the increased needs, with standards being maintained. There are indications, however, of community feeling that the local government is paying too great a proportion of relief granted. It is felt that it may not be possible to maintain standards at a subsistence level.

Syracuse, N. Y. (*August through November 1937*).—30.4 percent increase in number of cases. 48.4 percent increase in amount of relief granted.

The increase is attributed to increasing unemployment locally.

Standards are, however, being maintained.

Toledo, Ohio (*August through November 1937*).—12.6 percent increase in number of cases; 30.2 percent increase in amount of relief granted.

The increased case load is attributed to a 34 percent decrease in employment in the past 2 months. From April to December 1937, funds for relief were entirely city funds. During December, however, it became necessary for State funds to be allocated to the county and a certain percentage—not yet determined exactly—was then allocated to the city. Relief standards are higher than in 1936.

Tulsa, Okla. (*August through November 1937*).—26.4 percent increase in number of cases; 7 percent increase in amount of relief granted.[1]

Utica, N. Y. (*August through November 1937*).—58.1 percent increase in number of cases; 80.7 percent increase in amount of relief granted.

This increase in case load is attributed to the closing down or part-time operation of practically all industrial plants in the city. Standards have, however, been maintained, relief being granted on the basis of a subsistence budget. There is apparently no local financial crisis.

Washington, D. C. (*August through November 1937*).—0.7 percent increase in number of cases; 2.5 percent decrease in amount of relief granted.

The number of cases given relief, we are informed, "bears no relation to the number of families who may be in need," inasmuch as available funds have necessitated limitations on intake. Since October 1, only those cases have been accepted for general relief which have seemed eligible for one of the categorical programs and have been given general relief only until such time as their eligibility for categorical relief could be established. Some surplus commodities have been available to families known to be in need but to whom other relief can no longer be issued.

Standards are at a minimum subsistence level, with the result that intake has been limited in order to maintain those standards. From 1,200 to 1,400 applications are rejected each month. While there is inadequate staff to investigate properly, it is estimated that at least two-thirds of the people rejected are in need of relief. Limitation on administrative expense has proved a serious handicap in administering the program properly.

Worcester, Mass. (*August through November 1937*).—23.7 percent increase in number of cases; 35.2 percent increase in amount of relief granted.

The increase in the number of cases is attributed to growing unemployment. Two-thirds of the cases in the present load are believed to involve persons able and willing to work. Funds are felt to be inadequate locally and standards are being maintained on a subsistence basis.

DEPENDENCY AND DELINQUENCY

From May 1933 to January 1935 the general relief to all classes of needy in this country was largely a concern of the Federal Government. The relief rolls reached their peak in January 1935, when over 5,300,000 cases were reported, and the cost of relief was $148,000,000 for that month.

From that point, the trend was downward, particularly toward the end of the year following the introduction of the Works Progress Administration program.

Final grants from the Federal Government to the States for direct relief were made in December 1935 with the States and local governments generally assuming responsibility for that group who could not be provided with work relief or were unable to work. Sharp decreases in amounts provided for relief were expended in many States and in States where the entire burden was left to local communities most inadequate funds were available. This resulted in social problems other than that of dependency.

[1] Taken from data based on entire county in which city is located.

The increase in juvenile delinquency so widely reported in our press and in crime records has a definite correlation to the lack of relief or to poor standards of relief; in fact, there has always been evidence of the relation of dependency to delinquency in all age groups.

Periods of economic depression or recession throw greater loads upon police departments and courts which further increases costs of local governments and reduces their ability to carry the financial responsibility for direct relief.

Since the withdrawal of Federal funds for relief in States and the transfer of a larger share of financial responsibility to local communities, the record is written in increased juvenile delinquency.

Traditionally, it has been the practice of 'teen-age youth to earn occasional spending money by odd jobs, which jobs now go largely to heads of families. With the withdrawal of a source of income or frequently because of the absolute need in their homes and the withdrawal or reduction of relief funds, the turn to petty thieving has been inevitable.

In one city where I have had a chance to observe the trend, which, unfortunately, is typical of a great many cities, we see the following record:

RELATION OF JUVENILE DELINQUENCY AND CRIME TO RELIEF, CITY C

The relationship of juvenile delinquency to inadequacy of relief funds and inadequacy of administration is another aspect of the relief situation which needs further study. The juvenile delinquency rates, as measured by the records of the juvenile court, are shown in table VIII.

TABLE VIII.—*Number of delinquent individuals 5 to 17 years of age in per hundred of the population of this age group*

1930	1. 42	1934	1. 52
1931	1. 62	1935	1. 69
1932	1. 49	1936	1. 74
1933	1. 45	1937	2. 00

These figures show a general increase of 22.5 percent during the depression. The rate for 1937 shows a further increase. It is notable that the curve of increase flattened out and even declined slightly as the efficient and relatively adequate Federal Emergency Relief Administration relief program of the county welfare program got under way. It increased again rapidly as relief was turned back first to the State and finally to the local community.

The increase of major crimes has also caused public concern and considerable discussion in the local press. According to the city's annual report, the number of such crimes "cleared by arrest" in 1937 was 10,466 as compared with 7,695 for 1936. The report states that "Part of the increase is undoubtedly due to greater efficiency of the enlarged police force, but the unfortunate thing is that these figures clearly indicate that there was more crime actually committed here in 1937 than in 1936."

Number of arrests for juvenile delinquency and possible relationship to adequacy of relief for a five-year period 1932–37, in City C

Number of arrests reported by city police	Year	Factor
1,082	1932	Depression period.
1,565	1933	Do.
1,553	1934	Federal grants to States.
1,681	1935	Federal grants to States curtailed.
1,884	1936	Period of limited State support and less adequate relief standards.
2,200 or 2,500	1937	Local funds only and still less adequate relief standards.

Number of general relief cases in 50 cities in November 1937: The number of persons registered as totally unemployed wanting work, and the percentage of the unemployed on relief

City	Population in thousands	Number of cases November 1937	Number of unemployed November 1937	Percent of unemployed on relief
Akron	255	1,714	15,475	11.1
Atlanta, Ga.[1]	270	3,566	25,264	14.1
Baltimore, Md	805	3,001	33,639	8.9
Birmingham, Ala.[1]	360	484	30,059	1.6
Bridgeport, Conn	147	2,059	8,740	23.6
Buffalo, N. Y	573	12,415	37,613	33.0
Canton, Ohio[1]	105	2,243	10,677	21.2
Chicago, Ill	3,376	84,495	185,562	45.5
Cincinnati, Ohio[1]	451	7,274	33,823	21.5
Columbus, Ohio	291	3,956	13,774	28.7
Dallas, Tex	260	2,080	13,225	15.7
Dayton, Ohio	201	2,014	8,970	22.5
Denver, Colo.[1]	288	3,756	14,876	25.2
Detroit, Mich	1,569	13,866	78,036	17.8
Duluth, Minn.[1]	101	3,751	15,476	24.2
Elizabeth, N. J	115	590	5,675	10.4
El Paso, Tex	102	839	3,509	23.9
Fort Worth, Tex	163	1,425	7,702	18.5
Gary, Ind.[1]	100	4,443	14,666	30.3
Grand Rapids, Mich	169	2,001	7,266	27.5
Houston, Tex.[1]	202	1,893	17,283	11.0
Jacksonville, Fla.[1]	130	251	12,726	2.0
Kansas City, Mo	400	5,723	24,360	23.5
Lowell, Mass	100	2,454	9,688	25.3
Lynn, Mass	102	2,246	6,779	33.0
Milwaukee, Wis.[1]	578	15,570	35,775	43.5
New Bedford, Mass	115	2,656	14,457	18.4
New Orleans, La.[1]	459	2,707	30,877	8.8
New York, N. Y	6,930	186,171	514,327	36.2
New Haven, Conn	163	1,634	7,729	21.1
Norfolk, Va	150	719	10,447	6.9
Oakland, Calif.[1]	284	7,833	21,527	36.4
Oklahoma City, Okla	185	4,659	7,783	59.9
Peoria, Ill	105	1,771	4,722	37.5
Philadelphia, Pa.[1]	1,951	60,181	146,273	41.1
Providence, R. I	253	4,124	14,808	27.8
Reading, Pa.[1]	111	1,828	11,314	16.2
Richmond, Va	183	1,992	9,195	21.7
Rochester, N. Y	325	6,775	18,083	37.5
St. Paul, Minn	272	7,253	14,555	49.8
Salt Lake City, Utah[1]	140	1,667	6,686	24.9
San Francisco, Calif.[1]	634	2,997	29,498	10.2
Scranton, Pa.[1]	143	6,733	28,128	23.9
Somerville, Mass	104	1,767	5,069	34.9
Springfield, Mass	150	4,813	7,727	62.3
Syracuse, N. Y	209	4,466	10,541	42.4
Toledo, Ohio	291	3,676	17,289	21.3
Tulsa, Okla.[1]	141	1,390	8,433	16.5
Utica, N. Y	102	1,731	6,158	28.1
Worcester, Mass	195	3,437	8,941	38.4
Total		494,522	1,625,105	30.4

[1] Taken from data based on entire county in which city is located.

Number of general relief cases in 38 States in November 1937, the number of persons registered as totally unemployed wanting work, and the percentage of the unemployed on relief

	Number of relief cases in November 1937	Registered as totally unemployed wanting work Nov. 16, 1920	Percent of registered unemployed on relief
Alabama	1,652	150,145	1.1
Arizona	2,561	12,948	19.8
Arkansas	3,974	92,149	4.3
California	85,330	258,005	33.1
Colorado	14,323	44,272	32.4
Connecticut	17,500	69,576	25.2
Florida	31,655	73,479	43.1
Georgia	7,134	130,803	5.5
Idaho	10,205	18,641	54.7
Illinois	161,816	338,055	47.9
Indiana	40,413	133,136	30.4
Iowa	28,979	61,531	47.1
Kansas	20,937	64,575	32.4
Maine	11,800	37,814	31.2
Maryland	6,177	58,288	10.6
Massachusetts	77,526	248,484	31.2
Michigan	60,637	195,016	31.1
Missouri	45,615	191,873	23.8
Montana	4,356	28,390	15.3
Nebraska	7,635	44,872	17.0
Nevada	886	3,091	28.7
New Hampshire	10,817	25,311	42.7
New Jersey	57,393	217,176	26.4
New Mexico	2,419	21,162	11.4
New York	271,737	763,322	35.6
North Carolina	4,745	94,711	5.0
North Dakota	9,139	26,962	33.9
Ohio	71,300	304,682	23.4
Oregon	9,727	58,557	16.6
Pennsylvania	144,044	566,437	25.4
Rhode Island	7,652	43,654	17.5
South Carolina	15,534	73,227	21.2
Utah	3,585	18,848	19.0
Virginia	18,023	84,487	21.3
Washington	40,257	89,871	44.8
West Virginia	13,047	86,449	15.1
Wisconsin	45,668	112,728	40.5
Wyoming	1,624	7,665	21.2
Total	1,367,830	4,850,392	28.2

Number of cases and amount of general relief expenditures for August and November 1937, with actual and percentage increase or decrease by States [1]

	Cases, August 1937	Cases, November 1937	Increase	Percent of Increase
Alabama	1,256	1,652	396	31.5
Arizona	3,881	2,561	1,320	34.0
Arkansas	3,658	3,974	316	8.6
California	83,137	85,330	2,193	2.6
Colorado	13,006	14,323	1,317	10.1
Connecticut	14,199	17,500	3,301	23.2
Florida	31,852	31,655	197	.6
Georgia	9,482	7,134	2,348	24.7
Idaho	11,683	10,205	1,478	12.7
Illinois	156,574	161,816	5,242	3.3
Indiana	30,329	40,413	10,084	33.1
Iowa	26,611	28,979	2,368	8.8
Kansas	20,315	20,937	622	3.1
Maine	9,445	11,800	2,355	24.9
Maryland	5,458	6,177	719	13.2
Massachusetts	63,143	77,526	14,383	22.7
Michigan	44,009	60,637	16,628	37.8
Missouri	40,925	45,615	4,690	11.5
Montana	3,890	4,356	466	12.0
Nebraska	6,056	7,635	1,579	26.1
Nevada	1,821	886	935	51.3
New Hampshire	8,873	10,817	1,944	21.9
New Jersey	48,053	57,393	9,340	19.4
New Mexico	2,351	2,419	68	2.9
New York	249,187	271,737	22,550	9.0
North Carolina	5,420	4,745	675	12.5
North Dakota	7,206	9,139	1,833	25.4
Ohio	61,800	71,300	9,500	15.4
Oregon	6,418	9,727	3,309	51.6
Pennsylvania	148,854	144,044	4,810	3.2
Rhode Island	5,915	7,652	1,737	29.4
South Carolina	12,770	15,534	2,764	21.6
Utah	3,397	3,585	188	5.5
Virginia	17,182	18,023	841	4.9
Washington	29,442	40,257	10,815	36.7
West Virginia	13,887	13,047	840	6.0
Wisconsin	34,664	45,668	11,004	31.7
Wyoming	1,151	1,624	473	41.1

[1] In a few instances data are estimated.

Cost of relief cases

	August 1937	November 1937	Increase	Percent of increase
Alabama	$11,553	$15,640	$4,087	35.4
Arizona	55,698	32,450	23,248	41.7
Arkansas	22,264	24,593	2,329	10.5
California	2,252,343	2,382,420	130,077	5.8
Colorado	198,284	215,576	17,292	8.7
Connecticut	315,508	430,000	114,494	36.3
Florida	48,350	47,252	1,098	2.3
Georgia	52,861	48,070	4,791	9.0
Idaho	29,837	30,853	1,016	3.4
Illinois	3,840,043	3,922,799	82,756	2.2
Indiana	418,744	630,936	212,192	50.6
Iowa	436,488	518,944	82,456	18.8
Kansas	306,483	365,655	59,172	19.3
Maine	199,000	265,000	66,000	33.2
Maryland	114,861	134,507	19,646	17.1
Massachusetts	2,561,757	2,803,920	242,163	9.4
Michigan	799,674	1,105,116	205,442	38.2
Missouri	623,544	690,502	66,958	10.7
Montana	61,256	74,668	13,412	21.9
Nebraska	70,944	94,655	23,711	33.4
Nevada	14,502	9,793	4,709	32.5
New Hampshire	203,757	281,487	77,730	38.2
New Jersey	1,077,738	1,394,463	316,725	29.4
New Mexico	17,064	19,886	2,822	16.5
New York	9,297,174	10,614,806	1,317,632	14.2
North Carolina	26,877	26,730	147	.5
North Dakota	152,041	196,858	44,817	29.5
Ohio	1,200,000	1,300,000	100,000	8.5
Pennsylvania	4,607,919	4,492,348	115,571	2.5
Rhode Island	161,647	225,437	63,790	39.5
South Carolina	45,471	73,002	27,531	60.5
Utah	74,342	84,926	10,585	14.2
Virginia	143,624	161,028	17,404	12.1
Washington	576,779	773,568	196,789	34.1
West Virginia	193,139	199,696	6,557	3.4
Wisconsin	679,992	988,035	308,043	45.3
Wyoming	21,935	25,790	3,855	17.6

STATEMENT OF LEO M. LYONS, DIRECTOR, ILLINOIS EMERGENCY RELIEF COMMISSION

The CHAIRMAN. Mr. Lyons, you are director of the Illinois Emergency Relief Commission?

Mr. LYONS. Executive secretary; yes, sir.

The CHAIRMAN. I have requested you to give us a statement as to the situation in Illinois with reference to relief at this time.

Mr. LYONS. Yes, sir. You will recall that Mr. Reynolds was originally requested to appear before this committee.

The CHAIRMAN. Yes.

Mr. LYONS. I have a report on the situation prepared by him jointly with other agencies that I would like to submit for the record.

I would also like to have your permission to read this rather brief statement.

The CHAIRMAN. Go ahead.

Mr. LYONS. With regard to the general employment situation in the State of Illinois, estimates prepared by the division of research and statistics of the Illinois Department of Labor indicate a marked increase in the number of unemployed nonagricultural gainful workers in Illinois from 445,680 unemployed workers for the period July to September 1937 to an estimated 727,635 for January 1938, the January estimate being based on a very small sample of reports made to the State department of labor for December 1937 and an assumed December–January change of normal seasonal proportions only.

Recent estimates on agricultural unemployment in Illinois at this time are not available, but a rough estimate has been prepared by the staff of the Illinois Emergency Relief Commission, which indicates that approximately 120,000 agricultural gainful workers are now unemployed. It is estimated, therefore, that of a total of 3,300,000—estimated—gainful workers in the State of Illinois at this time, 850,000 are now unemployed. This figure is higher than the figure released by the National Unemployment Census for totally unemployed workers on November 18, 1937, as adjusted on the basis of sample checks.

This figure, of course, does not indicate the number of persons who may be dependent or become dependent upon public assistance as a result of unemployment. In most instances an unemployed person has dependent upon him several other persons in his family.

It will be noted from the following table that the home-relief case load in Illinois, financed from State and local public funds, is expected to increase from 154,049 in September 1937 to approximately 185,000 cases in January 1938. The estimated increase for Cook County in the same period is from 88,538 to approximately 100,000 cases, and for down-State counties from 65,511 to approximately 85,000 cases.

(The table referred to is as follows:)

Month	Home-relief case load			Obligations for relief and administration [1]		
	Entire State	Cook County	Down-State	Entire State	Cook County	Down-State
1937						
September	154,049	88,538	65,511	$4,142,513	$2,827,987	$1,314,526
October	153,401	88,524	64,877	4,170,133	2,772,666	1,397,467
November	156,669	88,552	68,117	4,863,574	3,378,108	1,485,466
December	[2] 176,795	[2] 95,840	[2] 80,955	[2] 5,337,653	[2] 3,541,772	[2] 1,795,881
1938						
January	[2] 185,000	[2] 100,000	[2] 85,000	[2] 6,277,300	[2] 4,231,000	[2] 2,046,300

[1] Excludes the activities of the Illinois Emergency Relief Commission.
[2] Preliminary.
[3] Estimated. The money figures for January 1938 refer to needs, whereas those for all other months represent obligations incurred.

The home-relief case load in Illinois increased by approximately 13 percent from November to December 1937. The number of persons certified from public relief rolls, employed full time on W. P. A. State program projects in Illinois, increased from 100,389 on November 3, 1937, to 109,284 on January 5, 1938, or by 8,895 persons.

Unless Works Progress program employment increases substantially, the general relief case load in Illinois may be expected to reach a high point of between 195,000 and 200,000 by March 1938.

For the years 1933 and 1935, the winters of which years were not affected by large-scale transfers from general relief rolls to special programs, such as the Federal Civil Works Administration—winter of 1933–34—and the Federal Works Progress Administration—winter of 1935–36—the experience of the Illinois Emergency Relief Commission showed that the relief case load for Illinois reached its peak in the month of March.

(The December 1937 home-relief case load is higher by almost 5,000 cases than the March 1937 case load.)

Obligations incurred for relief in September 1937 totaled approximately $4,143,000, and estimates for December indicate a figure of approximately $5,338,000. The estimated Illinois general relief needs for January 1938, as determined by the Illinois Emergency Relief Commission, are approximately $6,277,000.

On December 20, 1937, the Illinois Works Progress Administration increased the unemployment quota for Illinois by approximately 23,000 workers—relief and nonrelief. As a result of simplified procedures in certifying and assigning relief persons to W. P. A. employment, the number of relief persons employed full time on W. P. A. State program projects in Illinois had risen to 113,104 by January 12, 1938.

It is expected that by February 1, 1938, W. P. A. employment will reach 128,900 persons, including both relief and nonrelief persons. In order that the additional W. P. A. employment quota may be filled as rapidly as possible every possible effort is being made to facilitate the transfer from the general relief rolls to W. P. A. employment of eligible persons.

The CHAIRMAN. What allotment was given you in December?

Mr. LYONS. In December?

The CHAIRMAN. In the new allotment.

Mr. LYONS. About 23,000 persons.

The CHAIRMAN. I was asking that of W. P. A.

Mr. LYONS. Yes; that is a W. P. A. question.

The CHAIRMAN. I will ask the W. P. A. administrator. What month did you say was the peak?

Mr. LYONS. March has been our peak experience, and now, in December of 1937, we are about 5,000 cases higher than we were in March of 1937.

The Chairman. What is the highest month you have had in any year?

Mr. LYONS. In any year?

The CHAIRMAN. Yes.

Mr. LYONS. Back in 1935, about 344,000 cases in the State.

The CHAIRMAN. Does your organization certify eligibles to W. P. A.?

Mr. LYONS. That is right.

The CHAIRMAN. Thank you very much.

(The statement of Wilfred S. Reynolds follows:)

STATEMENT OF WILFRED S. REYNOLDS, DIRECTOR, COUNCIL OF SOCIAL AGENCIES OF CHICAGO, TO UNITED STATES SENATE SPECIAL COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF, HON. JAMES F. BYRNES, CHAIRMAN

Pursuant to an invitation to appear before the Special Committee to Investigate Unemployment and Relief, I am pleased to submit a statement of certain facts and estimates relating to unemployment and relief in the State of Illinois and the city of Chicago. This statement deals with numbers of gainful workers, employed and unemployed, trends of private employment and pay rolls, experience with forms of public assistance or relief, and estimates for the first 6 months of 1938.

Sources of material presented.—The facts and estimates herein presented are based upon reports supplied by the division of statistics and research of the Illinois Department of Labor, the Illinois Emergency Relief Commission, and the area statistical office of the Works Progress Administration.

It should be clearly understood that these estimates are subject to many assumptions and, while based upon previous factual data, no responsibility in relation to

the fulfillment of these estimations can be assumed by the author of this statement or by the sources of the material upon which these estimates are based.

Gainful workers (nonagricultural)—employed and unemployed.—As shown in table 1, the number of nonagricultural gainful workers in Illinois approximates 3,000,000. During the calendar year 1937 the number of these workers who were unemployed ranged from 445,680, or 15.2 percent, in the period from July to September to 672,357, or 23 percent in December. There has been a steady increase in the number unemployed from September to December. A recent estimate of agricultural workers unemployed is approximately 120,000 persons, or an estimated total of 792,000 unemployed workers in Illinois as of December 1937.

As shown in table II, there were approximately 1,600,000 gainful workers in Chicago, of whom 182,000, or 11.2 percent, were unemployed in September 1937, which number increased to 300,000 in December, or 18.4 percent of the total number of gainful workers. There was a 65 percent increase in the number of unemployed gainful workers in December 1937 as compared with the number unemployed in September.

As shown in table III, it is estimated that, taking into account the usual seasonal expectations, the unemployed nonagricultural workers in Illinois will reach approximately 730,000 in January of 1938, or 24.9 percent of the total number of gainful workers and will decrease to 696,500, or to 23.7 percent, by June 1938.

TABLE 1.—*Nonagricultural gainful workers employed and unemployed, State of Illinois, 1937*

[Information obtained from Illinois Department of Labor Division of Statistics and Research]

Monthly average	Estimated number of gainful workers	Estimated number of employed	Estimated number of unemployed	Percent gainful workers unemployed
January to March	2,917,978	2,352,256	565,722	19.4
April to June	2,920,576	2,429,784	490,792	16.8
July to September	2,923,174	2,477,494	445,680	15.2
October	2,924,906	2,458,751	466,155	15.9
November	2,925,772	2,374,407	551,365	18.8
December	2,926,638	2,254,281	672,357	23.0

A recent estimate of agricultural unemployed in Illinois is approximately 120,000 persons. Adding this figure to the estimate of nonagricultural unemployed, a rough estimate of 792,000 total unemployed would be indicated for Illinois as of December 1937.

TABLE II.—*Gainful workers employed and unemployed, Chicago, 1937*

[Information obtained from Illinois Department of Labor, Division of Statistics and Research]

Monthly average	Estimated number of gainful workers	Estimated number of employed	Estimated number of unemployed	Percent, gainful workers unemployed
September	1,623,000	1,441,000	182,000	11.2
October	1,624,000	1,425,000	199,000	12.3
November	1,626,000	1,384,000	242,000	14.9
December	1,628,000	1,328,000	300,000	18.4

TABLE III.—*An estimate of the number of nonagricultural employed and unemployed in Illinois during the first half of 1938* [1]

[Prepared by Illinois Department of Labor, Division of Statistics and Research, 205 West Wacker Drive, Chicago, Ill.]

	Estimated number of nonagricultural gainful workers	Estimated number of employed	Estimated number of unemployed	Percent gainful workers unemployed
1938				
January	2,927,687	2,198,052	729,635	24.9
February	2,928,736	2,226,166	702,570	24.0
March	2,929,784	2,233,834	695,950	23.8
April	2,930,833	2,236,390	694,443	23.7
May	2,931,882	2,233,834	698,048	23.8
June	2,932,931	2,236,390	696,541	23.7

[1] As the most probable employment volume for the first 6 months of 1938, from a statistical standpoint, will be the usual seasonal expectation, these estimates are based on seasonal indexes. If forces other than than seasonal are operative, then these estimates need to be raised or lowered in accordance with the direction that these influences are operating. A recent estimate of agricultural unemployed in Illinois is approximately 120,000 persons. This figure may be added to the nonagricultural unemployed to give a rough estimate of total unemployment in Illinois.

Trend in private industrial employment.—Table IV, based upon statistics released by the division of statistics and research of the Illinois Department of Labor, indicates that employment in Illinois declined 1.8 percent and pay rolls declined seven-tenths of 1 percent between September and October 1937. The average seasonal trend from September to October, based on a 14-year period—1923 to 1936—was a decline of one-tenth of 1 percent in employment and an increase of 1.9 percent in pay rolls. For November a decline of 3.4 percent in employment and a decline of 7 percent in wages was reported. The rate of decline for all reporting industries, both as to employment and pay rolls, in November 1937, was the largest November decline in 14 years.

Although figures for December are not as yet available, a preliminary estimate, based on figures already obtained, indicates an estimated decrease of 5 percent in employment and a decline of from 5 to 6 percent in pay rolls. This compares with an average increase of one-tenth of 1 percent in employment and an increase of six-tenths of 1 percent in pay rolls based on the 14-year average stated above.

TABLE IV.—*Employment and pay rolls of Illinois industries, last 4 months of 1937*

	Number of firms reporting	Number of employed workers	Percent change in employment		Total average weekly wages for month	Percent change in pay roll
August 1937	6,301	667,427		August 1937	$18,220,817	
September 1937	6,301	676,139		September 1937	18,200,600	
		8,712	+1.3		20,217	−0.1
September 1937	6,343	677,504		September 1937	18,239,922	
October 1937	6,343	665,212		October 1937	18,114,508	
		12,292	−1.8		125,414	−.7
October 1937	6,326	667,236		October 1937	18,151,709	
November 1937	6,326	644,531		November 1937	16,882,205	
		22,705	−3.4		1,269,504	−7.0
November-December 1937.[1]			−5.0	November-December 1937.[1]		−5.5

[1] Complete figures not available; preliminary estimate from figures available at time of this report.

NOTE.—Information obtained from Illinois Department of Labor, Division of Statistics and Research.

Cases and persons aided by public assistance and wage benefits and amount of funds expended therefor, November 1937.—Table V shows that for the categories of public assistance and wage benefits included, exclusive of cost of material and sponsor's contributions for Works Progress Administration projects, there was expended in Illinois for the month of November 1937, $13,514,761 for the benefit of approximately 1,031,000 persons; the expenditures for materials, nonrelief wages, local sponsor's contributions amounted to an aditional outlay of about $4,500,000, or a total cost for November 1937 of approximately $18,000,000; 12.8 percent of the State's population during the month of November received some form of public benefits.

TABLE V.—*Estimate on number of persons and cases aided by public assistance programs and wage benefits, and amount of funds expended for November 1937 for Illinois*

ILLINOIS

	Number of cases	Persons	Amount expended
Works Progress Administration	106,058	424,232	$5,466,108
National Youth Administration	6,564	6,564	112,747
National Youth Administration student aid	16,135	16,135	109,564
Other Federal agencies	2,872	2,872	160,479
Civilian Conservation Corps	14,624	14,624	1,023,680
Home and shelter relief	161,816	462,844	3,922,799
Old-age assistance	106,620	122,613	2,048,214
Federal Surplus Commodities			351,640
Mothers' pension	16,777	17,000	150,638
Blind pensions	5,000	5,000	168,892
Total duplicated	436,466	1,071,884	[1] 13,514,761
Less estimate for duplications	24,881	58,793	
Estimated unduplicated count	411,585	1,013,091	

CHICAGO

Works Progress Administration	51,265		$2,923,217
National Youth Administration	1,764		34,747
National Youth Administration student aid	[2] 8,067		54,782
Other Federal agencies	389		32,259
Civilian Conservation Corps	[2] 7,312		511,840
Home-and-shelter relief	84,495		2,409,935
Old-age assistance	[2] 34,592		[2] 838,620
Federal Surplus Commodities			186,209
Mothers' pension	[2] 8,389		75,319
Blind pensions	[2] 2,500		84,446
Total duplicated	198,773		7,151,374

REMAINDER OF STATE

Works Progress Administration	54,793		$2,542,891
National Youth Administration	4,800		78,000
National Youth Administration student aid	8,068		54,782
Other Federal agencies	2,483		128,220
Civilian Conservation Corps	7,312		511,840
Home and shelter relief	77,321		1,512,864
Old-age assistance	72,028		1,209,594
Federal Surplus Commodities Corporation			165,431
Mothers' pension	8,388		75,319
Blind pension	2,500		84,446
Total duplicated	237,693		6,363,387

[1] The cost in November 1937 for materials, nonrelief wages, and sponsor's contributions for Work Progress Administration projects amounted to approximately $4,500,000, bringing the total cost of programs to about $18,000,000.

[2] Separation of Chicago and remainder of State not available; for the purpose of this estimate 50 percent was applied to Chicago and 50 percent to balance of State.

[3] Cook County figures; Chicago figures not segregated.

Number of persons aided by public assistance programs in Illinois in November 1937	1,013,091
Estimated population of Illinois as of July 1, 1937	7,878,000
Percentage of population receiving public assistance in Illinois in 1937—percent	12.8

Cases aided through Works Progress Administration employment and general relief, and funds expended therefor, August through December 1937.—Table VI records the State's experience in the number of persons employed by Works Progress Administration, the number of cases assisted by home relief, and the funds expended for these purposes for August, September, October, and November, 1937, and the estimated cases and funds to be expended during December for home relief. An increase of 17,000 home relief cases in December over November, or approximately 10 percent, is anticipated. These tabulations also show the November average benefits in Works Progress Administration wages, excluding cost of materials and administration, to be $51.50 per person, and the average expenditure per home relief case in November to be $24.24. In November, on this basis, a total of $5,466,108 was spent in benefit of 106,058 persons employed by Works Progress Administration, and a total of $3,922,799 in benefit of 161,816 home relief cases, or a total of $9,388,907 paid directly to recipients.

TABLE VI.—*Number of persons working on Illinois Works Progress Administration programs and funds spent, also number of cases on general relief and fund spent—four months 1937*

	Works Progress Administration			General relief			Total funds and cases	
	Total persons employed W. P. A.	Total earnings W. P. A.	Average per person	Total cases receiving home relief	Obligation incurred for relief	Average per case	Total cases	Amount expended
August	110,798	$5,641,542	$50.90	156,574	$3,840,043	$24.52	267,372	$9,883,234
September	105,086	5,443,274	51.85	157,741	3,223,908	20.44	262,827	9,069,535
October	102,739	5,360,324	52.15	157,633	3,238,530	20.54	260,372	9,026,143
November	106,058	5,466,108	51.50	161,816	3,922,799	24.24	267,874	9,825,405
December [1]	N. A.	N. A.		178,973	4,341,885	24.26		

[1] Estimate on general relief for December 1937.

Estimate of need and available funds for the period January through June 1938.—Table VII sets forth the estimated average monthly need in Illinois during the first 6 months of 1938. Table VIII shows the estimated available funds to meet the need for the 6-month period. These estimates are based upon the assumptions (1) that the W. P. A. quota, effective in November 1937, will remain substantially, constant during the period covered by the estimate; (2) that Civilian Conservation Corps and National Youth Administration will continue during the period as presently operative; (3) "that the business recession, which apparently accounts for the expected rise in relief needs from November 1937 to January 1938, will affect the relief load until in the late spring of 1938 at about the same rate as that estimated for the period from November 1937 to January 1938"; and (4) that the effect of the Illinois old age assistance program on the general relief rolls will be negligible during this period. Benefits under the unemployment compensation act will not become effective until July 1, 1939.

Based upon the foregoing assumptions, there will be a shortage of funds to meet the estimated needs in Illinois for the period from January through June 1938, in the amount of $12,300,000.

Tax resources for relief in Illinois.—In accordance with the present Federal policy there is a sharp division between Federal and State and local responsibility in assisting those in need of public aid. General relief is the exclusive responsibility of the State and its political subdivisions. In Illinois the funds for general relief are provided from two sources: (1) A State-wide occupational (sales) tax of 3 cents on each dollar of all sales, of which 1 cent is available for home relief purposes and all of a 3 percent public utilities tax, the remaining 2 cents of the occupational tax being available for general purposes of the State government; and (2) a property tax of 3 mills on each dollar of assessed valuation levied by the

townships within the State and in Chicago by the city government. As shown in table VIII, it is estimated that for the first 6 months of 1938 the State tax available for relief will amount to $17,400,000, and the local political subdivisions' property tax will yield $3,800,000, or a total of $21,200,000 as against a need for $33,500,000 or a shortage of $12,300,000.

TABLE VII.—*Estimate of monthly average number of persons in Illinois for first 6 months of 1938 to be employed on Works Progress Administration projects, funds required therefor, cases to receive general relief, and funds required for general relief and administration*

	Cases	Funds required
Works Progress Administration	[1] 106,058	[2] $5,466,108
Home and shelter relief	[3] 185,800	[3] 5,583,335
Total	291,858	11,049,443

[1] The November 1937 experience on Works Progress Administration persons and wage benefits paid is used as the monthly average for the first 6 months of 1938.
[2] Exclusive of cost of administration, materials, and sponsor's contributions.
[3] Based on Illinois Emergency Relief Commission estimate of number of home-relief and shelter cases for first 6 months of 1938, and amount of funds necessary for relief and administrative expense.

TABLE VIII.—*Estimate on funds required and sources of funds for Works Progress Administration and general relief January through June 1938, State of Illinois*

	Chicago	Illinois exclusive of Chicago	[1] Total Illinois	Percentage to total
Amount required for general relief	$20,500,000	$13,000,000	$33,500,000	----------
Amount required for Works Progress Administration	17,700,000	15,300,000	33,000,000	----------
Total requirements (Works Progress Administration and general relief)	38,200,000	28,300,000	66,500,000	----------
Funds available:				
Local poor relief funds	2,175,000	1,625,000	3,800,000	7.0
State funds appropriated	11,700,000	5,700,000	17,400,000	32.1
Federal funds, Works Progress Administration	17,700,000	15,300,000	33,000,000	60.9
Total funds available	31,575,000	22,625,000	54,200,000	100.0
Estimated shortage for the 6-month period	6,625,000	5,675,000	12,300,000	----------

STATEMENT OF CHARLES A MINER, WORKS PROGRESS ADMINISTRATOR FOR THE STATE OF ILLINOIS

The CHAIRMAN. You are W. P. A. administrator for the State of Illinois?

Mr. MINER. Yes, sir.

The CHAIRMAN. How long have you been administrator for the State of Illinois?

Mr. MINER. Since March last

The CHAIRMAN. How may have you on W. P. A. projects at this time?

Mr. MINER. At the present time we are very near 130,000. Between now and the 1st of February we expect to have 132,000 which is our maximum quota authorized for the State at the present.

The CHAIRMAN. You were given that additional quota in December?

Mr. MINER. Yes, sir.

The CHAIRMAN. And you expect to have it filled by the 1st of February?

Mr. MINER. Yes, sir.

The CHAIRMAN. Do you find any particular difficulty in filling it?

Mr. MINER. Not particularly.

The CHAIRMAN. Is there any refusal on the part of eligible workers to take the jobs that are offered them?

Mr. MINER. There are refusals because persons are ill when the opportunity comes, persons who are already employed in private industry, and therefore are struck off. Actual refusals to work on the basis of not desiring the work are very limited.

The CHAIRMAN. I have asked in the other States in which inquiry has been made as to the classification of the employees and the wages paid to each class. Will you state yours?

Mr. MINER. I wonder, Senator, if I might perhaps answer a number of questions at once. Mr. Lyons and I, in order to save the time of the committee, have checked our figures. I have a short statement here.

The CHAIRMAN. All right; go ahead and read that.

Mr. MINER. First, it is true as Mr. Lyons and Mr. Biggers have already reported that the unemployment situation in Illinois is serious. The decline in November below October has been 3.4 percent in employment and 7.0 percent in pay rolls.

An item that is important, so far as the consideration of your committee is concerned, is that the information as to unemployment that gets into the figures is not dependable as a measure of relief need. Persons who are in need and who recognize that in their community funds are not available to meet that need often do not go to the relief offices.

There are other reasons that make the measure of need in persons or in dollars one that needs to be amplified somewhat by further inquiry by the committee before it can be depended upon to represent the accrual picture of need.

Another item of importance is the trend of unemployment in Illinois is not uniform throughout the State. Decline in employment in our State from October to November, and I am using recent figures in order to bring the matter down to date, was the sharpest in the last 14 years.

From October to November there was a 20 percent decrease in industrial employment in Belleville and Joliet. Belleville is in the western end of the State; Joliet is in the industrial area just outside of Chicago; there was a 12 percent reduction in the same period in Kankakee, while in Chicago itself employment in that same period declined 2.9 percent.

The unemployment rate is not uniform by industries. In the period October 9 to November 13, there was no increase in production whatever for any industry included in New York Times index, while the declines in certain industries, steel particularly, in that 30-day period was 33 percent below the earlier 30-day period, and the one following 31 percent below that.

An item that ought next to have consideration, so far as W. P. A. and the relief situation is concerned is that the resources of the Social Security Act in our State are not of major assistance in our problem. The act itself does not cover the whole level of employment. Our payments in Illinois do not begin until July 1, 1939.

Mr. JOHNSTONE. 1939?

Mr. MINER. 1938.

The CHAIRMAN. You said "1939"; you meant "1938."

Mr. JOHNSTONE. Illinois is one of the last States to come in, I think. That is subject to verification.[1]

The CHAIRMAN. We cover the same people in Illinois as are covered in other States.

Mr. MINER. Yes.

The CHAIRMAN. What do you mean, it will not have any effect in relieving unemployment?

Mr. MINER. Not of no effect, Senator. The point is, Senator, that the provisions of the act, as you are aware, are not all-inclusive.

The CHAIRMAN. No.

Mr. MINER. That is the only point I make, and Illinois is not peculiar in that sense.

The CHAIRMAN. But it will cover——

Mr. MINER (interposing). It will cover for Illinois as much as it covers for other States, of course.

An item that may not appear elsewhere is that from Illinois comes more requests from persons in need addressed to the departments at Washington. In the volume of correspondence which is referred to our national offices we have more letters asking for help from Illinois than from any other State in the Union.

The CHAIRMAN. Who has?

Mr. MINER. The Departments in Washington, such as have to do with W. P. A. employment, referred to the W. P. A. offices in Washington. The volume of those so referred is higher from Illinois.

The CHAIRMAN. That may mean they are good correspondents out there.

Mr. MINER. It may, sir.

The CHAIRMAN. And that they are looking to Washington instead of looking to you or the director of relief in Illinois. They look direct to Washington.

Mr. MINER. I think the answer to that is we have to know what the volume of correspondence is from the other States.

The CHAIRMAN. I thought you said the volume from Illinois was higher, and I was just commenting on that.

Mr. MINER. I don't know, sir, whether it is 5 percent higher or 50 percent higher, but the thing I was attempting to register is there is evidence there are many other things in Illinois that need taking up.

Since Mr. Lyons has reported the figures having to do with relief, particularly, in order to save the time of the committee I have eliminated all that.

We do, however, agree entirely as to our records as to those on relief. Certification in Illinois comes through the Illinois Emergency Relief Commission. All persons employed by us are so handled.

With reference to the increase in our employment, we had reduced our employment from a maximum of 200,000 in March of 1936 to 103,000 in October 1937. Since that time our quota has been increased, as evidence of increased need was presented. It is now over-all maximum 131,900.

The most recent authorization has been within the past 2 days, which gives us a figure over the one reported by Mr. Lyons. We anticipate having every one of those at work on January 31.

[1] Verified. July 1, 1939.

Projects of merit are available on which many more thousands may be employed. Further increase in employment can be had through increased sponsor contributions.

In the period from July to November 1937, sponsors provided 23.9 percent of all project costs in Illinois. Some sponsors, however, have reached the end of their resources. We are convinced that our sponsors have been as generous as their resources allowed.

The CHAIRMAN. What did they contribute from January 1, 1937, to July 1, 1937?

Mr. MINER. The figures run backwards this way; in the last 6-month period, 23.9; for the period before that, 17.1; and the 6 months before that, 11.7.

The CHAIRMAN. And when they contributed that 11 percent they swore they couldn't contribute any more. You attempted to get them to contibute as much as you could, and Mr. Hopkins made every effort and all you got was 11.7 percent out of them. Then the next 6 months, when you went to the sponsors, you got an increase from 11 percent to 17, and the next 6 months, you got an increase from 17 percent to 23, the average for the country. And now they tell you they have gone the limit, but they told you that back when they gave you 11 percent.

Mr. MINER. I think that requires some qualification.. They have never told us at any time that we could not have a W. P. A. project unless we would contribute the entire cost.

The CHAIRMAN. Not so; not all. I wouldn't say that. But you are certainly following the directions of the Administrator, which, as it was stated, were to endeavor to secure the largest contribution. You had them saying, back there a year ago, when they contributed 11 percent, that they wouldn't do it or couldn't do it.

Mr. MINER. In general, the resources of our sponsors have been laid on the table. They have had better payments of taxes. Their own resources have improved during the past 12, 9, or 15 months.

The CHAIRMAN. Did it improve so as to enable them to double the contribution? Or don't you think the W. P. A. director, who happens to be you, exerted just a little more effort in the last year and has succeeded in increasing the contribution, and that the W. P. A. director in Illinois, who happens to be Mr. Miner, is entitled to some credit?

Mr. MINER. I would be inclined to be a little modest at that point, Mr. Chairman. I believe it goes back to some other things. As the communities have seen these projects completed—we finished 18,000 miles of farm marketing roads—they have gone so far as to issue bonds so that they might finance their W. P. A. participation.

The CHAIRMAN. I would say to you, though, that the same remarkable increase has been generally true over the country. They have had the same experience you have had, until the average is up from 11 or 12 to 22 points something. So the fact is it is merely the improved condition. The improvement is natural. Of course, Mr. Hopkins knows and says he just insisted on larger contributions, and he succeeded in getting them.

Mr. MINER. There is another point I should like to make, Senator. With the reduced employment it has been possible to select projects on which the sponsors' contribution has been larger. To illustrate, if in the town of X there are a thousand persons to be employed and the reasonable use of these persons entails the assuring by the sponsor

of a certain amount, another sponsor who may have no resources would have to be used for the additional thousand persons to be employed from the relief rolls in that community. If, then, we have a thousand persons to be employed, it is clear that it is good administration, good use of public money, assuming an equality of the projects in terms of their merits, to work those persons on the project in which the sponsors can share instead of on the project in which they cannot.

The CHAIRMAN. What sponsors do you have in a municipality?

Mr. MINER. We have townships, we have county boards.

The CHAIRMAN. Begin with the municipality.

Mr. MINER. There we have school boards, the city organization; then we have the streets and the sewer departments. We have the several departments of Government.

The CHAIRMAN. What percentage of contribution is being made by the city of Chicago?

Mr. MINER. At the present time it is very nearly 18 percent.

The CHAIRMAN. The rest of the State brings the average up?

Mr. MINER. Yes, sir. In addition to that it should be noted that the city of Chicago has just voted $800,000 on a W. P. A. project for the improvement of the airport, and in its present budget, passed last week, there are further items for additional sponsor contributions, which as yet are not counted in the contributions.

The CHAIRMAN. What was Chicago's contribution in the 6 months preceding?

Mr. MINER. I haven't got that, but I will supply it for the record.

The CHAIRMAN. I would be glad to have you do that.

Mr. Miner subsequently supplied the following information:

During the first 6 months of 1937 sponsors' contributions to W. P. A. projects in Chicago amounted to 14.3 percent of the total cost (exclusive of administrative expense) of maintaining these projects. During the last 6 months of 1937 the percent contributed by sponsors increased to 15.2.

The city of Chicago recently voted $800,000 to be expended by it in connection with a W. P. A. project for the improvement of an airport, which amount will be available during the first half of 1938. If contributions on other projects equal contributions made by the city during the last half of 1937, and if Federal expenditures are approximately equal to those for the last half of 1937, sponsors' contributions during the first 6 months of 1938 will amount to approximately 18.1 percent of the total cost.

Senator CLARK. How much would it reduce the number of projects and the number of men employed if the Government were to adopt a policy of requiring a flat contribution, say of 35 percent?

Mr. MINER. I believe the effect of that would not be upon the number of persons employed, but upon the division of the program.

Senator CLARK. You mean the distribution of the program?

Mr. MINER. Yes. I think it would result in our having a denial of work opportunities in those communities that were not able to meet the specific requirement.

For illustration; a work program ought to be adjusted to the location of the persons in need, and many times their need is one of the indications of bad conditions in that community. Bad conditions in a community might show themselves in lowered income from taxes and therefore lowered contributions, so that you might have in the town of X no chance to share in the contribution, and the towns having lower tax receipts might show also an increased number of persons requiring assistance from the program, so that the effect of a crystalized requirement might be a very disastrous on the program as a

whole. I think it much wiser to adjust it to the possibilities of a community and particularly to the persons in that community in need, assuming of course the persons in that community are able to work.

Senator LODGE. Following up Senator Clark's question, wouldn't the factor you mention be counter balanced by the fact that a larger total sum of money would be made available for relief than would be true without such a requirement?

Mr. MINER. If your thought, Senator Lodge, is to require a sufficient appropriation by sponsors on a W. P. A. project, and then contemplate the allocation from some source to that community for such persons as cannot be employed, that would introduce another element that was not in the analysis I was presenting to the Senator.

The CHAIRMAN. But if the Federal Government were appropriating one billion dollars, and the States, counties, and cities were putting up three million, certainly they should get more than the places that were not putting up anything. You are not questioning the accuracy of that?

Mr. MINER. The number of jobs is keyed to the total available funds. I was not missing Senator Clark's point.

If I may finish; another item is that construction projects employ 83 percent of those on our rolls; professional, technical, women, and white-collar, 17 percent.

Our administrative cost is 3.66 percent, of which 2.75 is general and administrative expense, and .99 percent is supervisory cost.

Assignments to the administrative staff are made through examinations, based upon those for similar positions adopted by the United States Civil Service Commission. Many major positions are filled by persons from the relief rolls. Of all project employment on January 12, 96.7 was the percent from relief rolls, with 3.3 percent non-relief.

Employment is not static. From September 18, through January 5, 1938, there were 20,815 separations from W. P. A. employment in Illinois. Of those, we know that 3,201 went to private employment. There were 4,782 separated because they failed to report for a full pay-roll period. It is possible that many of those went to private employment. The remainder were separated by W. P. A. or left for various reasons, many of them from illness and inability to work—to do the work provided.

We estimate that of the number working who are now on the rolls, who were on the rolls in December 1935, those now remaining on the W. P. A. are approximately 30,000. A check of actual continuation of employment is now being made.

The cost per year per person averages $829. This includes all Federal and all sponsor costs.

The classification of our employment as of November 15 was 73 percent unskilled, 9.9 percent intermediate and 11.4 percent skilled, and 5.7 percent professional and technical.

In Illinois W. P. A. workers are, on the average, 7 years older than those comparably employed in private industry.

We have found that some persons with W. P. A. jobs are working in private industry. W. P. A. does not cancel W. P. A. employment when this is discovered. Whether a person continues in our employ is determined by a review of his need.

Senator LODGE. May I interrupt you right there? You say the fact that a W. P. A. worker has other employment does not result in your canceling his W. P. A. work?

Mr. MINER. Does not result in our canceling it. Our procedure is to refer any information of that character to the Illinois Emergency Relief Commission, the certifying agency. That commission is called upon to determine the need of a person and makes an inquiry at once. They then determine whether the need continues. If the need does not continue, they cancel the certification, which immediately results in our canceling employment. The point is that need is established continuously.

Senator LODGE. How about the fellow who is not on W. P. A. and has not got a job, and whose need is even greater. This fellow is keeping him from getting on.

Mr. MINER. The same level of need that is set up when a man originally comes on is the measure that is used by the Illinois Emergency Relief Commission in reviewing the case.

The CHAIRMAN. How many have you got on the rolls that you know have other employment?

Mr. MINER. None whose employment is as much as the W. P. A. employment.

The CHAIRMAN. Evidently I didn't make myself clear. How many W. P. A. workers do you know to have other employment?

Mr. MINER. That is my point, Senator. As quickly as we discover it——

The CHAIRMAN. I thought you said you referred it, and you referred the question to the Illinois Emergency Relief Commission to determine whether to remove them. If you don't remove them, there must be some on.

Mr. MINER. I missed your point. The best estimate we have is approximately 11,000 for the whole State.

The CHAIRMAN. Approximately 11,000. What is approximately the scale of wages?

Mr. MINER. Well, Senator——

Senator LODGE (interposing). That is 11,000 have outside work?

Mr. MINER. That is right. People who have outside income, anywhere from 1 dollar to 5 or 6 or 10 dollars, determined by the level of need.

The CHAIRMAN. What is the level of need?

Mr. MINER. It may be different for each family.

The CHAIRMAN. I would be glad if you would let us have some information along that line. What is your scale of wages?

Mr. MINER. It ranges, in the State, from $40, unskilled——

The CHAIRMAN (interposing). That is in the rural districts?

Mr. MINER. Yes, sir.

The CHAIRMAN. What is it in the city?

Mr. MINER. In Chicago, the unskilled rate is $55.

The CHAIRMAN. Fifty-five?

Mr. MINER. Yes, sir.

The CHAIRMAN. I think that is about the highest we have heard.

Mr. MINER. I believe it is.

The CHAIRMAN. What is your semi-skilled rate?

Mr. MINER. Sixty-five is the highest, 45 the lowest.

The CHAIRMAN. And your skilled?

Mr. MINER. Eighty-five is the highest, 55 is lowest.

The CHAIRMAN. And professional?

Mr. MINER. Ninety-four is the highest, 61 is lowest.

The CHAIRMAN. Would you know how many of those 11,000 who have other jobs are in these various classifications?

Mr. MINER. No, sir.

The CHAIRMAN. I wish you would give me that. I would be interested to know that.

Senator LODGE. What percentage is that of the total on W. P. A. in Illinois?

Mr. MINER. There are 129,000 employed now.

Senator LODGE. That is, 11,000 on W. P. A. who have other work.

The CHAIRMAN. That is, 11,000 that you know about.

Mr. MINER. I believe we know. That is all those who came to us, all of those who have any record anywhere.

The CHAIRMAN. What inquiry have you made? You didn't go out and inquire?

Mr. MINER. Yes; the commission has, at our request, reviewed the entire working load of W. P. A. on two occasions. The last of them was finished the 1st of July. They went over all persons employed by us throughout the State.

The CHAIRMAN. Can you give us the result of that inquiry?

Mr. MINER. I can produce that for the record, if you would like it.

The CHAIRMAN. If you will furnish it to us.

(Mr. Miner subsequently forwarded the following material in connection with the review of the entire working load of Works Progress Administration, by the Illinois Emergency Relief Commission and completed in July 1937:)

(*a*) Of the 154,536 cases reviewed, 129,031, or 83.5 percent, were recertified to the Works Progress Administration and certifications on 25,505, or 16.5 percent, were canceled.

(*b*) A total of 14,157 cases, or 9.2 percent of those reviewed, had private employment in addition to their Works Progress Administration employment. It should be noted that of these 14,157 cases, 10,638 had employment from which they received less than 90 percent of their normal relief budget. Since such cases are accepted by the relief commission they were recertified to Works Progress Administration. Income from private employment received by the remaining 3,519 cases equaled or exceeded 90 percent of the relief budget and, hence, were unacceptable to the Illinois Emergency Relief Commission and, of course, were not recertified.

(*c*) 13,491 cases, or 8.7 percent of the total cases reviewed, did not apply for recertification within the period established by instructions governing reapplication and their certifications were, therefore, canceled. However, it is probable that many of these failed to apply within that period for such reasons as illness, failure to receive the proper notices, etc., and that they applied and were recertified at some later date.

(*d*) Of the remaining cases cancelation of certification, in many instances, was based on ineligibility for Works Progress Administration employment and not on failure to prove need.

Senator LODGE. How many certified employables are there in Illinois who are not on W. P. A.?

Mr. MINER. That depends, Senator, on what definition you take of employables.

The CHAIRMAN. The definition you use.

Mr. MINER. On the definition we use, somewhere in the neighborhood of 50,000. That is, employables who can be used on the type of projects we have within a reasonably effective radius.

Senator LODGE. Of the 129,000 that are on W. P. A. in Illinois, how many have been on since the beginning of the program in 1935?

Mr. MINER. Our estimate is about 30,000.

Senator LODGE. Thirty thousand have been on since the beginning?

Mr. MINER. Yes, sir.

The CHAIRMAN. There are 30,000 who have been there continuously since 1935?

Mr. MINER. Since we really were reaching the peak of employment with somewhere in the neighborhood of 160,000.

The CHAIRMAN. Has your employment service tried to replace these men?

Mr. MINER. We require all persons employed by us to register with the employment service, and we see that that registration is sustained, because we do not put them on the pay rolls until they have that registration number.

The CHAIRMAN. But you have 30,000 that have not been able to secure employment since the beginning?

Mr. MINER. Since the peak was reached.

Senator LODGE. Do you know how many of the 11,000 who are employed outside the W. P. A. are in that 30,000 who have been with the W. P. A. since the beginning?

Mr. MINER. Our estimate is that there are very few of them. Those 30,000 are persons who for one reason or another have difficulty in securing outside employment. They may be handicapped persons, a one-armed person used as a watchman, or there may be some other reason for their continuity of employment.

The CHAIRMAN. Have you got records that will show as to those 30,000 what classes they are in, what skill they possess?

Mr. MINER. Yes, sir. We can count the actual payments to those persons from the beginning of the program. We keep an individual record of those.

The CHAIRMAN. The skilled worker among the 30,000 that will draw eighty some dollars a month works how many hours?

Mr. MINER. That depends upon his skill classification. It may be 90 cents an hour, a dollar or a dollar ten. It may run up to $1.90. But we do know this, the skilled workers are not those who remain in our employ. It is the unskilled, handicapped person, handicapped by physical disabilities or something else rendering it difficult for him to compete in open industry outside.

The CHAIRMAN. Everyone knows in his community—and I have in mine—we have some "career" W. P. A. workers. What I am endeavoring to find out is how many of these "career" men are in that 30,000.

Mr. MINER. Of able-bodied men who could get employment outside, very few are in that number.

The CHAIRMAN. When you made your inquiry did you make an inquiry as to the physical capacity, which I readily see would be a factor. Did you make an inquiry at that time to determine that?

Mr. MINER. Yes, sir.

The CHAIRMAN. It seems to me to be quite a large number.

Mr. MINER. I should look for that 30,000 either to increase or decrease as a result of the inquiry we are now making. We want to safeguard against persons becoming "career" persons on W. P. A.

Senator LODGE. Do you go through your list ever so often to see how long some persons have been there?

Mr. MINER. No.

The CHAIRMAN. The inquiry you referred to was not made by you, but was made by the commission?

Mr. MINER. The inquiry as to the persons who have stayed on has been started by us. We are on that now.

The CHAIRMAN. That is in process of being made at this time?

Mr. MINER. Yes, sir.

The CHAIRMAN. When will it be completed?

Mr. MINER. We hope to have it within 30 days.

The CHAIRMAN. I would be very glad, when you do complete it, if you would let us know the results of it.

Mr. MINER. I will be very glad to submit it.

The CHAIRMAN. We will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 11:55 a. m., the committee adjourned to meet at 10 a. m. Saturday, January 22, 1938.)

UNEMPLOYMENT AND RELIEF

SATURDAY, JANUARY 22, 1938

UNITED STATES SENATE SPECIAL COMMITTEE
TO INVESTIGATE UNEMPLOYMENT AND RELIEF,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the caucus room, Senate Office Building, Senator James F. Byrnes (chairman) presiding.

Present: Senators Byrnes (chairman), Clark, Davis, Frazier, and Murray; also Alan Johnstone, counsel to the committee.

The CHAIRMAN. The committee will come to order.

STATEMENT OF B. F. FAIRLESS, PRESIDENT, UNITED STATES STEEL CORPORATION, NEW YORK

Mr. JOHNSTONE. Mr. Chairman, I am advised that Mr. Fairless, president of the United States Steel Corporation, is ill today, and he has sent this statement which I will read into the record:

The committee has requested of me information with respect to certain facts bearing upon the subject of employment in the subsidiary companies of United States Steel Corporation. It is in response to this request that the following statement is made.

The subsidiary companies of United States Steel Corporation are principally manufacturing companies. They manufacture iron and steel products. Their products are sold principally to industries rather than to the ultimate consumer. These purchasers are the railroads, the automobile manufacturers, the container industry, the agricultural implement industry, the machinery and tool industry, the oil, utilities and miscellaneous industries, and many others, all of which, in turn, manufacture and fabricate products which are sold to the public. The steel business is dependent upon and fluctuates with the conditions in the manufacturing industries which buy and use its products. The steel business of the subsidiary companies stated in terms of production of ingots was, for the year 1937, around 37 percent of the total ingots produced by the industry generally.

Throughout the latter part of 1936, and during the first quarter of 1937, there was a considerable amount of buying of steel products; production increased as did weekly earnings and employment. Production continued at a high rate through August 1937 but declined abruptly commencing the latter part of September due to a decline in orders.

The average monthly employment for 1937 for the subsidiary companies was 261,402. The peak of employment occurred in August

1937, when the total number of employees was 278,178. This compares with the previous high of 262,792 employees in August of 1929, and with November 1937 employment of 255,788, a decline of 8 percent, and with employment at the end of the year of about 240,000, a decline of 13.7 percent from the peak of the previous August.

Beginning in the late summer, and continuing throughout the fall of 1937, the rate of operations of the subsidiary companies declined sharply from 84.5 percent, late in August, to a low of 23.9 percent in the last week of the year. This decline in the operations of the subsidiary companies was the sharpest in the history of their operations.

I understand that the American Iron and Steel Institute will present to the committee figures which show, for the iron and steel industry, fluctuations in the operating rate, total number of employees, total man-hours worked, average hours per week per employee, average earnings per week per employee since 1933. The average experiences of the subsidiary companies of the United States Steel Corporation are substantially the same as for the industry as a whole.

The subsidiary companies have had in effect for several years a share-the-work plan of rotating service of employees, in order that all employees would get such employment as the production operations would permit. Under the plan, work is shared until operations drop to a point where the employees are working about half the normal week or, if the operations are on an 8-hour turn basis, sharing the work is carried to where the operations allow the employees three turns, or 24 hours per week.

During the present recession there have not been unusual requirements upon the subsidiary companies for assistance in aid of the employees for whom work is not presently available. During the period October 1, 1930, to November 30, 1937, the companies extended credit and made direct expenditures for relief of their employees in the aggregate amount of $9,513,008.59, of which $5,395,273.11 has been repaid by the employees to whom such credit was extended.

The wage policy of the subsidiary companies has been and is to pay as high wages as they can. Pay-roll costs amount to about one-half the total sales receipts. Wages can be paid only from production and production provides the means through sales for wage payments.

Consistent with its policy of paying as high wages as possible and in anticipation of a continuance of a healthy demand for sustained production rates of pay were increased in November 1936 and again in March 1937, to an all-time high, hours were reduced from 48 to 40 per week, time and one-half for overtime, and vacations with pay were established. These substantial increases in labor costs can be paid only by production; that is, receipts from sales of the products. No company can continue indefinitely paying out more than it takes in. In order to obtain the means for meeting these increased labor costs, sales prices were increased, but only to the extent then estimated as necessary to meet these increased costs.

The increases in prices were not sufficient in the first two quarters of 1937 to provide for the increase in labor costs. In addition to this direct labor costs for wages paid to the employees of the subsidiary companies, there were increasing and additional costs to the

companies for the materials which they buy and the services for which they pay to other than employees.

Whether the increased prices would be sufficient to provide the means to meet the increased costs would depend upon the continuance of a high rate of production. Commencing in September, the production demand began to fall as has been previously stated and rapidly declined through the fourth quarter, with the result that only during the third quarter were prices which were charged for steel sufficient to cover the increased costs including the increased wage costs.

It is a well-known fact that there are great variations in the operations in the steel industry. There are long periods during which operations are at a loss, or at just about at cost which must be met by other periods of profitable operations if this essential and vital industry shall continue to be self-sustaining. Earnings of United States Steel Corporation and subsidiary companies for the 9 years (1928–36) after the payment of expenses gave a return of less than 2½ percent and, for the 10-year period, including 1937, less than 3 percent upon investment in the property employed. For the year 1937, the return is estimated at about 6 percent which is of necessity an estimate in that all of the figures for the last quarter are not now available. Prices have not been more than required to meet increased wage and other costs for 1937.

There are many views that have been expressed upon the question of prices at this time. It is clear that prices cannot be reduced without a corresponding reduction in costs of which wages is the most important part. Many views have been expressed by those who have appeared before this committee, and there has been much public discussion as a result of your hearings. I have nothing to add.

There has been no falling off in shipments of rolled and finished products exported by United States Steel subsidiaries in 1937. Exports for 1936 were about 6 percent of total shipments. Exports for the first 9 months of 1937 (before domestic shipments fell off so rapidly) were about 8 percent of total shipments; exports for the full year will be about 9 percent of total shipments.

Virtually no pig iron was exported by the subsidiary companies in 1936 and only a relatively small amount in 1937.

The five principal products exported by the subsidiary companies in the order of their importance as to volume are (1) tin and black plate, (2) sheared plates, (3) sheets and strip, (4) wire products, and (5) tubes and pipe. These account for approximately 69 percent of the total tonnage exported. There is no indication of any relation between the subsidiary companies' export business and armament preparations in European countries and Japan.

The railroads have been out of the steel market for a long period. Their properties need in maintenance large supplies of steel products. Without money the railroads cannot buy. They must find the financial means to meet their current maintenance expense.

Although there will be little direct benefit to the steel industry in an enlarged and proper housing program, the benefit in the broad economic sense to industry as a whole should be great.

The durable-goods industry, including the railroads, the construction and the utilities industries, presents a condition in which, if

confidence in the general business outlook should occur, there would be a revival of construction and other activity which would be very far reaching and most constructive in its effect. There has been abundant testimony before this committee of plans which are held in abeyance because of the present inability on the part of certain persons responsible for launching the planned expenditures, to see the proper economic present demand and the financing thereof in view of the many uncertainties ahead. As an illustration of such expenditures in planned and in hoped-for performance is the statement which I previously made of the expenditures by the subsidiary companies in the year 1938 for plant and equipment modernization of the remainder of 1937 appropriations in the aggregate sum of $80,000,000 and in addition there will be other expenditures in considerable amounts, if business conditions warrant. While these amounts are large, they are relatively small as compared with the cumulative aggregate of construction expenditures which but await a return of an opportunity for the exercise of a reasonable business judgment over a fair term or period in the future.

There is some indication of some present improvement, principally, as I view it now, in the replenishing of stocks of material required by reasons of the diminution of inventory stocks—a buying for immediate necessities.

I have endeavored to give to the committee all of the facts for which it has inquired. I can add nothing to the testimony before the committee advocating many measures upon the subject of the investigation by the committee.

Mr. JOHNSTONE. Mr. Chairman, I have been requested to file for the record a statement of the United States Conference of Mayors.

(The statement is as follows:)

INTRODUCTION

There is reproduced herewith statements from 60 of the larger cities in response to the following questions which were asked by the United States Conference of Mayors.

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city in any future Federal program?

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

In general, the replies from the cities are strikingly uniform. Summarized briefly, the survey shows:

1. That relief continues to be a serious problem in the cities studied. In some cases, the relief load is heavier than at any time in the past 3 years.

2. If the problem is to be met adequately, it will be necessary for the W. P. A. not only to maintain its present program but to expand its program in certain areas.

3. In general, the cities report that they are contributing all that they can in meeting the costs of direct relief and for the local share of the W. P. A. program.

4. The recent business recession has in a number of cities brought about substantial increases in the relief rolls.

This report is submitted to the Senate Committee on Unemployment.

PAUL V. BETTERS,
Executive Director, United States Conference of Mayors.

COLUMBUS

1. Unemployment and relief is still a very serious problem in this city. On November 1, 1937, we had 10,110 persons on relief while on January 5, 1938, that number had increased to 14,765. We had expected some increase during the winter months but the actual increase due to the recession of business was beyond all expectations. The prospects for the balance of the winter are not bright. It may be that the very recent determination of the automobile industry to resume operations will be reflected in Columbus by some improvement. Unless it is, the cost of relief during the balance of the winter and until the seasonal work of warm weather becomes available, will be approximately $110,000 to $115,000 per month.

2. In order to assist the local governments in the handling of this problem, I feel that it is necessary for the Federal Government to continue its work program on at least its present basis. Any decrease in the work program will, of course, be reflected by an increase in the direct relief rolls.

3. The financial condition of this city is such that it could not meet any increase in financial contributions on its part on any work program. As a matter of fact, we have had some difficulty in meeting the present requirements of the W. P. A. programs and have not been able to institute some projects which would be of material benefit to the city, purely because of lack of finances. While we do not as yet have the definite figures, it is estimated that the 1937 deficit of Columbus is approximately $300,000 to $350,000. This deficit is the direct result of having to finance relief from May 1, 1937, to December 31, 1937, without any financial assistance from the State of Ohio. This deficit should be made up in 1938 and in addition the city will have to provide funds for that portion of the relief load which is not financed by the State. At the present writing legislation is indefinite and the amount, therefore, cannot be determined.

4. The figures set out in paragraph 1 clearly indicate that additional unemployment in this city has increased the relief problem. In fact, it has increased it so much that because of limited finances, we have not been able to assume those cases which involve single persons or two to a family except in cases of dire necessity such as illness and old age.

Without entering upon an exhaustive analysis of the relief problem, I believe that in the four paragraphs above I have given you enough of the relief problem in Columbus that it may be understood. Permit me to add this: From May 1, 1937, to December 31, 1937, direct relief cost the city of Columbus $570,000 in round figures. Our present estimate for 1938 is $1,100,000. If you desire any further information, advise me and I will get it to you immediately.

MYRON B. GESSAMAN, *Mayor.*

SCHENECTADY

1. Unemployment continues to be a very serious problem in Schenectady. Our relief load has steadily increased since the low point reached in July. This increase is due largely to loss of private employment and the prospects are that our case load will be at least 1,500 by spring or over 5,000 persons, an increase of 130 percent from the low point. These figures do not include approximately 900 on W. P. A. representing 3,300 persons.

2. In my judgment, the Federal Government must continue its work program on a considerably increased basis or replace it with a locally controlled work program more readily adaptable to the needs of the local community.

3. The financial condition of Schenectady does not, at this time, warrant increasing its contribution to the Federal Works Program.

4. The major industries in this city are faced with rapidly decreasing orders and have already made a marked reduction in their employment rolls. One of the larger industries is now faced with an almost complete shut-down by February 15, thus making the relief problem more serious.

5. An increased program of slum clearance, housing, and other major public works projects might well be justified as a substitute for a larger Works Progress Program.

C. A. HARRELL, *City Manager.*

ROCHESTER

1. Unemployment and relief is decidedly a serious problem in Rochester during this winter and will be in the coming spring.

The relief load has increased steadily since last November and indications are that it will be much greater before spring.

2. In my judgment it is imperative that the Federal Government must continue its relief program on an increased basis during the next 6 months.

3. The financial condition of the city of Rochester is such that it can take care of its share of the Federal Work Relief Program on the same basis as during the past 2 years.

4. Slowing down of employment in Rochester has a direct bearing on the relief problem. The intake division of our welfare department shows that many families have to apply for relief within 2 or 3 weeks after they are laid off by industry.

HAROLD W. BAKER, *City Manager.*

BUFFALO

1. Unemployment and relief will probably be an increasingly serious problem in Buffalo this winter and spring.

2. I think it is imperative that the Federal Government continue its work program, at least on the same, and preferably on an increased basis, during the next few months.

3. The financial condition of our city might be called critical, and as a result we are forced to turn all city relief activities over to Erie County. It will probably be impossible to increase the financial contributions of our city on any future Federal program.

4. Recent and serious additional unemployment in our city is making the relief problem daily more serious.

5. Another problem which is going to be more pressing as time goes on and unemployment becomes more extensive is the problem of furnishing residents of Federal housing projects with adequate relief under our present limited family relief budgets.

TOM HOLLING, *Mayor.*

FLINT

We are indebted to the Emergency Relief Commission for furnishing the following figures showing the number of direct relief cases and the amount expended for handling those cases. These figures are for Genesee County, and about 75 to 80 percent of the amounts would be applicable to the city of Flint.

Month (1937)	Number of cases (families) on relief	Total amount expended	Month (1937)	Number of cases (families) on relief	Total amount expended
September	1,534	$39,173.07	November	1,716	$59,866.32
October	1,535	47,533.74	December	2,347	78,436.68

It is estimated that the relief costs for the first 3 months of this year will be $125,000, $160,000, and $115,000, respectively.

General Motors has laid off more than 6,000 employees and has placed the balance on schedules of from 16 to 24 hours per week. The Relief Commission is receiving as high as 500 applicants in a single day at the present. A lay-off at the plants is creating an additional lay-off in many private businesses. The additional number of unemployed in Flint at present, as compared to December 1, is probably 10,000 people.

The local relief problem certainly cannot be handled by the local unit without material aid from the Federal Government.

We are experiencing great difficulty in sponsoring additional W. P. A. projects because of our financial limitation. Our financial condition precludes increasing financial contributions on a future Federal program without wrecking city services.

JAMES R. POLLOCK, *City Manager.*

LOS ANGELES

Local resources are carrying all they possibly can at present time and are unable to assume any additional load. Los Angeles City and County had 122,500 cases in December, including 51,300 employables and 71,200 unemployables; 57 percent of employables and 69 percent of unemployables were in Los Angeles city limits. City and county relief expenditures for December were $2,118,000 and State spent an additional million here. Our total case load increased 8 percent in last 4 months and normal expectation is for continued increases well into spring months. Estimate local resources carrying in excess of 60 percent of total burden. Figures given do not include large number of indigent transients ineligible to public relief, but contributing heavy drain on private charity.

FRANK L. SHAW, *Mayor.*

TOLEDO

1. Unemployment and relief continue to be the outstanding problems of our local government. Employment during the past week, as reported to us by the major industries of the city, has reached the lowest level since November of 1934. The prospects of reducing the relief load at the present time are not good, and in this connection I might say that if the bills now under consideration by both houses of the State legislature are passed, the estimated allocations to Lucas County will not be sufficient to finance the problem beyond a period of 5 months.

2. Toledo is an industrial city, many of its residents being occupied in seasonal occupations. For the last few years our factories have been operating at times to capacity and at other periods closing down entirely, causing an extremely acute situation. It is unthinkable to consider a cut in the Federal Works Program at this time as a high percentage of those now working on Federal work relief projects if cut off would go back to the direct relief rolls.

3. The financial situation of Toledo is such that we could not increase the percentage of sponsor's contribution without curtailing the program. Any additional contribution by sponsor would cut off hundreds of able-bodied men eligible for W. P. A. because it would necessitate reducing the number of projects.

4. The following table will give you an illustration of our problem during the past year:

	Employment	Relief
		Cases
Jan. 9, 1937	25,615	5,209
June 5, 1937	25,468	3,127
Jan. 10, 1938	9,388	7,704

Relief cases during the month of January are being added at the rate of 350 to 400 per day.

5. Toledo is dependent in a large measure on the automobile industry. Building construction has fallen off about 75 percent. There are no local funds available for low-cost housing to the prospective individual home builders, and because of this fact those who are normally employed in the home construction field must look to the Federal works-relief programs for employment, which of course means relief. The city of Toledo has been financing the direct-relief program without State or county fund support since April 24, 1937.

The State legislature is in session at the present time working on relief bills. From all indications it will be necessary for the city of Toledo to raise at least $300,000 next year to match State funds.

GORDON JEFFERY,
Director of Public Welfare.

AKRON

Unemployment and relief in Akron continues to be a most serious problem.

Insofar as this winter and next spring are concerned I am frank to say that the outlook is far from satisfactory. There are more than 20,000 persons out of work in Akron, due to manufacturing retrenchment. There are more than 6,000 persons now on our relief rolls, compared to a maximum a few months ago of 1,000. The latter number were classified as unemployables.

It is my considered opinion that the Federal Government must continue its work program. That work program, as it affects Akron, ought to be increased, if we are to take up any of the unemployment slack.

The financial condition of Akron is such that it is now, and will continue to be, impossible for the city to increase financial contributions toward a continuance of, or expansion of, a Federal works program.

This is due to two factors, (1) the low tax income here, due to an excessively low property valuation, with no hope in sight now for any substantial increase in that valuation, and (2) inability to raise money by bond issues, which require approval of the people, and a 65-percent majority to carry an issue.

Money from Akron so far used as sponsor's contribution toward Federal projects is coming from bond issues approved several years ago specifically for public works. Those bond funds are becoming depleted.

Recent unemployment in Akron is the direct cause of the immediately serious relief problem. And when factory employment in Akron declines, there is a corresponding decline all along the line in industry and business.

Every effort by Ohio cities to obtain adequate financing for direct relief through the State has so far been without results desired.

Some financial help is now available, but on a dollar-matching basis. That means that an already skimpy operating income must be drawn upon for the purpose of providing additional revenues for food and housing for those persons whose meager resources are being rapidly wiped out, due to unemployment.

It is my judgment that the Federal Government must continue to provide work on a large scale, at least until there is a substantial and somewhat permanent p'ck-up in industry.

Akron's works projects now are in the category of those for which the people obligated themselves in substantial part by approving bond issues, and which the President said should be carried out because of the "moral obligation" existing between the city and the Federal authorities.

I do not believe it would be possible to obtain additional bond issues in Akron for works projects. The people simply do not have the money with which to meet today's tax burdens. And this year's tax rate shows an increase due to public works bonds already issued to provide revenues for public works.

LEE D. SCHROY, *Mayor.*

OAKLAND

1. Unemployment and relief continue to be a serious problem in Oakland with prospects of the load increasing.
2. Federal Government assistance should be increased to take care of those who are employable but have not been placed on pay rolls.
3. Oakland can contribute only in about the same proportion as in past years.
4. Additional unemployment has made the relief problem more serious in this city.

J. F. HASSLER, *City Manager.*

OMAHA

1. About 8,000 certified unemployed, but city and county on work relief now employ about 6,500 and will increase that number so that practically all employables will be given work.
2. It is imperative that the Federal Government continue its work program on the present, or even an increased basis, during the next few months.
3. The city of Omaha has earmarked about $210,000 for work relief in 1938.
4. Railroads are laying off several hundred men due to seasonal employment.
5. In addition to those on work relief, we have about 900 families on direct relief which are cared by the county. This number probably will increase during the rest of the winter but our funds are sufficient to care for them.

DAN B. BUTLER, *Mayor.*

ALLENTOWN

1. Unemployment and relief continue to be a very serious problem in our city. There is no outlook for a betterment during the winter and coming spring, and one has only to travel around the city and see the vacant manufacturing plants to be thoroughly convinced that things are really bad.

2. In my judgment the Federal Government must increase its Work Program, especially in the manufacturing centers, if they expect to keep the people from starving.

3. Owing to unemployment, the people owning their own homes are exactly in the same situation that they were 6 years ago when they could not pay their taxes. The city of Allentown has reached its financial end so far as contributions are concerned, and we are at our wit's end how to continue the work program. We certainly cannot meet the present 20 percent contribution demanded by the Government. In my humble opinion, this should be reduced to 5 percent.

4. The additional unemployment condition in our city has certainly brought on a serious situation so far as the relief problem is concerned.

5. I consider the present situation worse than it was in the previous depression because there is no reserve on hand, either among the people or the municipalities, to carry them through this crisis.

M. W. GROSS, *Mayor.*

RACINE

1. Relief and unemployment does continue to be a great problem in Racine.

2. I do not see how the Federal Government can curtail its works program at this particular time as I think the next few months to come will present a very serious problem here as far as unemployment and relief is concerned.

3. As to the financial condition of the city, we in Racine are near the top in our State in per capita indebtedness. I think there are only two or three cities at the most which are worse off than we are.

4. The recent unemployment has added greatly to our relief problem.

ROY A. SPENCER, *Mayor.*

KALAMAZOO

1. Both unemployment and relief are serious problems in this city. Statements made by those in relief work indicate that the prospects for this winter and early spring are discouraging. A record kept for some time of 34 institutions including manufacturing, retail and others—a representative cross section of local business—shows a reduction of 597 employees in 1 month. If this same percentage were carried through, local employment would show a loss of 8 percent for the month.

2. The work program must be maintained, and do it without delay. We have project applications totaling $500,000 on file with the State office.

3. The city has but one source of income—taxes on real and personal property. The budget for the year is made up and the tax rate set to provide for the adopted budget. An increase in any contribution above the budget figures is practically impossible.

4. Recent unemployment has increased the relief problem apparently beyond the ability of the local organization to cope with it, forcing a reduction in relief given each case, to meet the growing numbers. On October 31, there were 1,114 relief cases; on November 31, there were 1,355, and on December 31, the number was 1,908 in the county. Cases average 3.9 persons. The first week in January added 124 cases to the above. The relief administration reports 948 employable persons now on direct relief, and of these, 850 are available for immediate employment if work relief could be provided.

The W. P. A. office for Kalamazoo County reports that 782 persons were on the W. P. A. pay roll of January 8. We are informed that an order has been issued to increase this number by about 250. This will leave 600 employable people on the direct relief rolls.

Kalamazoo has submitted a number of project proposals for W. P. A. work, but if the usual time elapses between submission and approval of the projects, it will be 2 or more months before we have approved projects to which men can be assigned. The city is doing its utmost to find work and funds to employ the men on relief.

While the number of people involved here may appear small when compared with reports from large industrial centers, the problem is as difficult of solution. At no time in 1936 or 1937 has the cases on relief equaled the present load.

E. C. RUTZ, *City Manager.*

HIGHLAND PARK

1. Unemployment and relief is serious at the amount. Prior to November 15 it could not be considered as such. Our relief load is now two and one-half times what it was as of November 15 and is still increasing. The prospects do not look at all bright for the winter. We believe that the increase in unemployment may be only temporary, but should it be more than temporary the conditions will be indeed serious. It is difficult to anticipate the future, but I am hoping for better times this spring.

2. It is my belief that the Federal Government should certainly continue its work program, and I would favor increasing it for the next few months at least. It may also be necessary to increase the assistance to the sponsor by decreasing the amount of contribution expected from them under the present set-up.

3. The financial condition of our city will not warrant increasing our financial contributions to projects. We have at present a number of small Works Progress Administration projects in operation in the city of Highland Park with other small projects now submitted and still others being prepared, and these will in all probability tax our present budget beyond its limit in the present set-up.

I would strongly favor the addition to Works Progress Administration employables of men who do not have to qualify on relief rolls but where proper investigation is made we find citizens who have established their homes within our community and who have helped in the past in paying taxes and are really in need of employment to day.

JOSEPH M. HACKETT, *Mayor.*

ST. JOSEPH (MO.)

1. Unemployment and relief continue to be very serious problems in St. Joseph and there is little hope for any change during the next few months.

2. Should the Federal Government discontinue its assistance, it would be a real tragedy in this locality. In stead of decreasing Government assistance, an increase is more in line.

3. The financial basis of our city is good and sound and we are in a position to sponsor additional projects, providing the Federal Government offers its financial assistance as it did earlier in this administration.

4. Recent changes in this community have caused a decided increase in unemployment.

5. There are several reasons for the increase of unemployment here—in the first place, for several years we have had a National Park Service Camp and this cared for a number of men who are homeless and without means. In return for their support, these men worked on projects sponsored by our Park Department. They were in the midst of some very fine, constructive, worth while work when the camp closed. These men are once more thrown upon the charities of this community. Before long the Works Progress Administration projects which the city now has under way will be completed and our hope for future projects are slight. Public Works Administration is no longer available for us.

PHIL. J. WELCH, *Mayor.*

DAYTON

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

A. New relief cases jumped from 301 in November to 873 in December. Applications have increased from 90 per day to 150 per day. This indicates that unemployment and relief is a serious problem and the prospects for this winter and spring are not encouraging.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

A. It is our judgment that the Federal Government must continue not only on the present basis but on an increased basis during the next few months. More unemployment is occurring daily through industrial lay-offs.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

A. The financial condition of this city will not warrant any contributions unless such finances are made possible by State legislature.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

A. The recent mass additional unemployment in this city has made and is continuing to make the relief problem more serious.

5. Data on any other phases of this that may be of interest.

A. The matter of nonresidence is becoming an increasingly serious problem. Many of these men now unemployed have been working for people and industry but have been in the community, in fact, in the State of Ohio, less than 12 months. Many of them have settled here but have not established a legal residence.

F. O. EICHELBERGER, *City Manager.*

SALT LAKE CITY

1. Unemployment and relief continue to be a serious problem in Salt Lake City. While the winter thus far is open, conditions do not permit of extensive building activity. Undoubtedly heavy snows will fall soon and building activity will cease until spring. As a consequence a large number of men will be thrown out of employment. Naturally there is no agricultural activity at this time, and persons who usually find employment on farms are seeking work in the city.

2. In order to meet the situation, it is my opinion the Federal Government should continue its work program at least on the same basis as heretofore.

3. Salt Lake City's funds for participation in city-Federal projects are limited. Such Works Progress Administration programs as are undertaken by the city should be on the same participation basis as heretofore if not less.

4. The probable increase in unemployment in Salt Lake City cannot be estimated through city agencies since relief problems are exclusively the concern of Salt Lake County. The relief load in Salt Lake City remains acute.

E. B. ERWIN, *Mayor.*

TOPEKA, KANS.

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

Yes. Prospects for additional demands at this time.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Yes.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

Our financial condition with reference to future aid is not good. We now have a drainage and a flood control project which is due to start soon. An airport and a minor drainage project is now in progress.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Yes.

There was quite a reaction and additional demands on relief caused by the laying off of men by several large industries, especially the Santa Fe Railroad and similar companies during the past 6 months. In discussing the matter with local relief officers, they tell me that the demand during the first 2 weeks of December was approximately double normal demands.

H. G. BARRETT, *Mayor.*

BAYONNE

1. Unemployment and relief continue to be serious problems in this city, and unless industry absorbs a large number of those presently unemployed, our relief load, which is at present heavily burdened, will continue.

2. Should industry fail to take up the slack, the Federal Government should continue its working program even on an expanded scale during the next few months.

3. The financial condition of this city while comparable with other cities in the area does not warrant increasing the financial burden with respect to any future Federal program.

4. Recent unemployment has increased our relief load substantially.

LUCIOUS F. DONOHOE, *Mayor.*

WINSTON-SALEM

I beg to advise that unemployment and relief continues to be a serious problem in this city, due to the fact that seasonal employment of people in certain lines of industry will terminate in about 30 days. It is expected that additional people will apply for work with Works Progress Administration, so that the prospects for winter and spring appear to be that additional demands for work will be made on Works Progress Administration in this city. In my opinion, in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months.

I believe that local conditions are not such as to warrant increasing the financial contributions of the city on any future Federal program. Thirty days ago there were on the relief rolls in Winston-Salem and Forsyth County, approximately 750 men and 300 women. The relief rolls at this time have more than 1,000 men and 440 women, and I am advised that requests for certification to the Works Progress Administration are increasing daily. A number of people work in tobacco redrying plants, which work is seasonal and usually terminates in February. This will cause an additional number of people to need work and I anticipate that increased demands will be made on the Works Progress Administration to provide employment for these people.

W. T. WILSON, *Mayor.*

SACRAMENTO

1. Unemployment and relief continue to be a serious problem in our city. We do not claim that it is nearly so serious as in large industrial centers but there are still a material number of people to be cared for. Figures just received from the Sacramento Relief Administration and Works Progress Administration headquarters indicate that the increase due to winter, lack of seasonal work, 1 year ago was only 6 percent. This year at the same time the increase has been 66 percent. To be exact, certifications for employment from the Sacramento Relief Administration to Works Progress Administration in Sacramento County have increased from 924 to 1,538 in the last 3 months.

2. It is my judgment that in order to meet the situation the Federal Government must continue its work program on an increased basis during the next few months.

3. The financial condition of our city, as well as our county, does not permit us to increase materially contributions, as the tax levy has been determined and the revenues cannot be increased immediately except by bond issue, which is entirely impractical.

4. Several large concerns have had to lay off men, notably the railroad yards, and this, of course, has increased unemployment. The condition will not be relieved until the canning season opens in March.

JAS. S. DEAN, *City Manager.*

AMARILLO

1. Amarillo's unemployment condition, while improved during the past year, is still one of genuine concern and the prospects for immediate improvement are not at all encouraging.

2. Amarillo's relief situation is just about the same that it was a year ago, but we expect it to be somewhat worse during the next 2 or 3 winter months.

3. The Federal Government's work relief program must be continued here through the winter months and on a somewhat increased basis; otherwise a critical situation may develop that cannot be cared for locally.

4. The general laws of the State of Texas do not permit financial contribution on the part of cities toward relief. This city, however, in numerous ways has advanced funds used in connection with the Federal work-relief program that will approximate 25 percent of the total amount spent for relief in this city, and we will continue this participation during the remainder of the Government's fiscal year.

5. Due to a recession in the building trades, we have had some recent additional unemployed people thrown on the relief rolls in this city, and this condition is sure to continue during the winter months.

6. As is the case in those cities which are located on transcontinental highways, bus lines, and railways, Amarillo has a transient relief problem which is taxing local public agencies to the utmost. It is my hope that some provision may be worked out so that cities may receive Federal aid in taking care of this very definitely serious problem, which does not rightfully belong to the city which may be involved.

ROSS D. ROGERS, *Mayor.*

YORK

Unemployment and relief continue to be a serious problem in the city of York, and the prospects for this winter and next spring are even more serious because of recent additional unemployment.

It is my opinion that the Federal Government must continue its work program on the same or an increased basis during the next few months in order to meet the situation. This city's financial condition does not warrant an increase in financial contributions on any future Federal program.

Some step must be made promptly, I believe, to restore confidence and remove fear from industry and business as well as for individuals who have money to invest.

HARRY B. ANSTINE, *Mayor.*

HARRISBURG

(1) Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring? Answer. Yes. Unemployment does not seem to be greatly increasing at the moment.

(2) Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months? Answer. Work program should be continued, but unde the control of various city authorities. Thus the most deserving cases can be helped.

(3) Is the financial situation of your city such as to warrant increasing the financial contributions of the city on any future Federal program? Answer. No.

(4) Has recent additional unemployment in your city, if any, made the relief problem more serious. Answer. Yes.

JOHN A. F. HALL, *Mayor.*

QUINCY (MASS.)

1. Unemployment and relief does continue to be a serious problem in the city of Quincy. I do not see any prospect of improvement in the condition during the winter and spring of 1938.

2. It is my judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months.

3. Inasmuch as our city already contributes about 20 percent of the labor costs for materials, truck hire, and other necessities, it is doubtful if we could increase this percentage due to the fact that it would undoubtedly place an added burden on the present tax rate of $33.40.

4. The recent additional unemployment in our city has not seriously affected our general condition.

5. Quincy is a residential city primarily. We have but few industries, among which is the Bethlehem Shipbuilding Corporation's Fore River Plant. Their employment has been kept at about 4,500, although it has gone up during the last year and a half to over 5,000 at times. At the present time it is about 4,500, but we expect within the next 6 months that there will be a number of men put back to work, bring it over the 5,000 mark, which, of course, would be a great help to our city. The new naval program being considered in Washington would, if adopted, materially reduce the number of persons on direct city relief and Federal relief in our city.

THOMAS S. BURGIN, *Mayor.*

WATERBURY

1. Unemployment and relief does continue to be a serious problem in this city, and though the prospects change from day to day, at the present writing there is no indication of an improvement.

2. It is my judgment that in order to meet the situation the Federal Government must continue its works program on the same or an increased basis during the next few months.

3. The financial condition of this city is not such as to warrant an increase in its financial contributions on any future Federal program.

4. There has been recent additional unemployment in this city which has made our relief problem much more serious as the figures below will indicate.

On September 1, 1937, the case load carried by our welfare department was 587 cases; on October 1, 1937, it had increased to 629; on November 1, 1937, it was 683; on December 1, 1937, 816, and on January 1, 1938, 960.

On September 1, 1937, there were 472 persons being carried on Works Progress Administration projects in this city. On January 8, 1938, there were 849.

On August 1, 1937, there were 37,240 employed in Waterbury. On January 1, 1938, there were 31,000, and the average work-hour week before Christmas was 32½ hours.

FRANK HAYES, *Mayor.*

FALL RIVER

1. Unemployment and relief continues to be a serious problem in this city and the prospects of any improvement for the winter and spring are not very promising.

2. It is my judgment that the Federal Government must continue its work program on the same or increased basis during the next few months.

3. The financial condition of this city does not warrant the increasing of the financial contributions on any future Federal program.

4. The recent additional unemployment in this city has made the relief problem more serious. In fact, as of January 8, 1938, we had more cases on our relief rolls than we have had for the past 3 years.

ALEXANDER C. MURRAY,
Mayor of Fall River.

JOPLIN

Unemployment and relief does certainly continue to be a serious problem in our city and the prospects for this winter and next spring are very much worse than they were last year.

In my judgment, the Federal Government must continue its work program on even an increased basis during the next few months in order to meet the situation.

The financial condition of our city does not warrant any increase in the financial contributions of the city on any Federal program. We have, at the present time, several projects which are outstanding but are not completed and, as they stand now, an actual loss and waste of money because they cannot be made to function as they now exist. As badly as which this is needed, our financial condition will not permit us to make any further contributions.

Our relief problem has been made more serious by the recent additional unemployment in our city. Our last blow came to us when about two-thirds of the mines closed down and added this much extra to our already heavy load of relief and unemployed. Many of these miners were out of work up until the latter part of 1936 and then came into a period of scarcely one year duration which was not enough to help them take care of their previous obligations and destitution. In other words, they are now back on our hands again. Our city has tried every way that they could think of to just manage to get along some way with the relief and unemployment problem and have helped many times when it hurt. When I say hurt, I mean that it caused us, in a great many instances, to exceed our budget beyond any previous record but we cannot now see our way clear to take off our part of materials versus labor on any of these projects as we have in the past. I hope I may hear from you as soon as possible that the conference may be able to help on this extremely pressing problem.

A. C. MAHER, *Mayor.*

SOUTH BEND

(1) Unemployment and relief continue to be a serious problem in South Bend. From present indications this winter and early spring bid fair to be the worst yet experienced.

(2) I believe that the Federal Government must continue its work program at least on the present basis.

(3) The financial condition of the city of South Bend will not warrant any increases in contributions on any future Federal program.

(4) Several large factories have laid off up to 50 percent of their employees, and others have staggered their work in order to take care of a greater number of employees at reduced hours. This, of course, increases the seriousness of the relief problem in this community.

GEORGE W. FREYERMUTH,
Mayor of South Bend.

PEORIA

Will say that unemployment and relief continues to be a serious problem in our city. The city does not handle relief, however. The township supervisors do that. The prospects for winter and spring are not good.

It is my judgment the Federal Government must continue its work program on an increased basis.

The city's financial condition is not good.

Additional unemployment has made the relief problem more serious.

DAVID H. MCCLUGAGE, *Mayor.*

JACKSON, MICH.

Unemployment is one of the most serious problems confronting our city at this time. In conference with the county, we have been able to raise sufficient funds to take care of unemployment through Works Progress Administration until about the first of March. These funds were raised by borrowing on the anticipation of delinquent taxes. There is no further possible way to raise funds for this work, and this is the last we can borrow on delinquent taxes.

It is absolutely essential that the Federal Government continue its work program, and in many cases it must be more lenient toward cities like Jackson. To your third question, I must answer "no." To your fourth question, the relief problem is practically 100 percent greater than we anticipated.

We are all anxious to see a balanced Budget, but at this time the unemployed must be cared for through Federal aid. What little the city and county can contribute toward the care of the unemployed is so trivial that it is hardly worth mentioning.

I. R. ELLISION, *City Manager.*

ATLANTIC CITY

I enclose reply of our overseer of the poor who has charge of our relief work. You will note the answers he has given to your various inquiries, excepting as to no. 3, which has to do with financial ability of the city.

Atlantic City is not able to increase its contributions toward relief for many, many years to come. We will be struggling to repair the financial chaos brought about in past years.

C. D. WHITE, *Mayor.*

(1) Unemployment and relief continue to be a serious problem in this city, and the prospects for the winter months are that our relief problems will increase but will be greatly decreased in the summer months due to season employment.

(2) In my opinion, the Federal Government must continue its work program, especially during the winter months, so as to relieve our relief rolls.

(3) This city is a resort, which makes our relief problems during the winter months very serious, but in the late spring and summer we are able to reduce our relief rolls, as our clients are employed in hotels and boarding houses, as we have not other industry in this city.

GEORGE G. ORTLIP,
Overseer of the Poor.

WILKES-BARRE

1. Unemployment relief continues to be an exceedingly serious problem in Wilkes-Barre, due to the reduced production and consumption of anthracite coal, the mining of which is our major industry.

2. We consider that the Federal Government should continue its work program in our vicinity at least to the same extent as in the past.

3. The financial condition of the city is not such as to warrant increasing the amount of our city's share of contributions to such program.

4. There have been in the last few weeks additions to our relief load.

CHARLES N. LOVELAND, *Mayor.*

ROCKFORD

(1) Does unemployment and relief continue to be a serious problem in your city, and what are the prospects for this winter and spring?

Unemployment and relief not only continue to be a serious problem in the city of Rockford, but it has been rapidly growing more acute during the past 3 months. There is nothing in prospect at present to indicate that it will be anything but worse through the remainder of the winter, and as for spring, it seems to me the best we can do is hope.

(2) Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Surely it would seem necessary that the Federal Government continue its work program on an increased basis during the next few months if they are to even approach the goal of taking care of employables who find it necessary to seek relief.

(3) Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

It certainly is not, and, although we are doing everything possible to find funds to support Works Progress Administration work in our city, our financial condition can be illustrated in this way: We are unable to comply with the terms of a recently passed State law providing a certain minimum wage for firemen and policemen. To sponsor more of these Works Progress Administration projects, we definitely need an increased Federal allocation for materials and equipment.

(4) Has recent additional unemployment in your city, if any, made the relief problem more serious?

Very much so. During the past 3 months a large number of our manufacturing concerns have found it necessary to slacken employment and the major portion of this slackening is reflected very shortly on the relief rolls. Relief in Illinois, outside of Chicago, is not the direct responsibility of the city government but is administered by the township government. To show how serious this problem is becoming in our community, the expenditures for direct relief here are more than double today what they were 6 months ago, and the responsible authorities are at their wits' ends to provide the necessary funds.

CHARLES F. BROWN,
Mayor of Rockford.

TROY

I wish to inform you unemployment and relief have increased for winter in spring in 1938.

I believe that in order to meet the relief and unemployment situation the Federal Government must continue its work program on an increased basis during the next few months.

The limit of our ability to assume a further relief load has been practically reached and relief expenditures has been one of the main causes for the shrinkage of our constitutional debt limit to the extent that recently we were unable to contribute our share supplementing a Government grant for the construction and equipment of a much-needed high school.

The relief problem has become more serious in Troy, N. Y., and relief has increased due to the fact that recently many who have been employed in seasonal work have been thrown out of work. These people who during the summer months were employed on county roads, etc., are now thrown on relief.

I therefore reiterate that the Federal Government should continue its work program on an increased basis during the next few months.

FRANK J. HOGAN, *Mayor.*

LANCASTER

(1) Unemployment and relief continue to be a serious problem for this winter, with possibilities that there will be a slight improvement by spring.

(2) It is our judgment that in order to meet the situation the Federal Government must continue its work program on the same basis during the next few months.

(3) The financial condition of our city is not such as to warrant increasing the financial contributions of the city on any future Federal program.

(4) Recent additional unemployment in our city has made the relief problem considerably more serious.

D. E. CARY, *Mayor.*

SAVANNAH

(1) Unemployment and relief continue to be a serious problem in Savannah, with no prospects of any material change during the winter and spring.
(2) In order to meet the situation it seems to me necessary that the Federal Government continue its work program on the same basis as heretofore, or even on an increased basis during the next few months.
(3) The financial condition of Savannah does not warrant any increase in its financial contributions to any future Federal program.
(4) There has been some increase recently in the gravity of the unemployment problem in this vicinity due to the recession in business.

ROBERT M. HITCH, *Mayor.*

LOWELL

1. Unemployment and relief does continue to be a most serious problem in Lowell, the welfare-case load having jumped from 1,300 to 2,529 in the last 4 months. We expect that this will be somewhat decreased inasmuch as several shoe shops have signed new contracts and we hope that the other mills will open.
2. The Federal Government ought to continue its work program on the same basis for at least the next 6 months.
3. The city's financial condition is not such as to permit increased financial contributions.
4. Yes.

DEWEY G. ARCHAMBAULT *Mayor.*

ROANOKE

1. Unemployment and relief, of course, are problems to us just as they are in other industrial communities. However, neither unemployment nor relief have been a serious problem with us this winter. We have our share of troubles, but we do not think the situation is serious. There is considerable new construction that will begin shortly in Roanoke, and we do not look for unemployment to increase very materially in the near future. We are of the opinion that what the country needs is more confidence and a great deal less talk about the business recession.
2. It is, perhaps, desirable for the Federal Government to continue its works program on the present basis during the winter months. There is no apparent need for any increase in the works program during the next few months.
3. We cannot increase local contributions.
4. Our relief always shows an increase during the winter months. It begins to rise in November or December and reaches its peak in February and March, depending, of course, to some extent on weather conditions. We have not experienced any exceptional rise in relief this year over last up to the present time. We have had a fairly open winter thus far. Our present relief appropriation, barring unforeseen situations, will be sufficient to carry us through this fiscal year which ends June 30.
5. Unemployment compensation will begin to be paid here January 24. It has not helped us any up to the present, but we are hopeful that once payments begin to come in, they will be a help. Although we have a keen sympathy with those in distress, we are decidedly of the opinion that the best help we can render any able-bodied person is to help them to help themselves.

W. P. HUNTER, *City Manager.*

NEW BEDFORD

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?
Yes—worse than ever.
2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?
Yes—latter in next 8 months.
3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?
No.
4. Has recent additional unemployment in your city, if any, made the relief problem more serious?
Yes—50-percent increase in unemployment.

LEO E. J. CARNEY, *Mayor.*

IRVINGTON, N. J.

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?
Yes—and it will continue.
2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?
At least upon the same.
3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?
No.
4. Has recent additional unemployment in your city, if any, made the relief problem more serious?
Yes.

PERCY A. MILLER, Jr., *Mayor.*

CHATTANOOGA

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and sprng?
Yes—prospects not encouraging.
2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program in the same or even an increased basis during the next few months?
Yes.
3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?
No.
4. Has recent additional unemployment in your city, if any, made the relief problem more serious?
Yes.

E. D. BASS, *Mayor.*

DENVER

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?
Conditions would be serious if Works Progress Administration curtailed before the middle of May, and what should be done after that will depend on business conditions.
2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?
Yes.
3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?
No.
4. Has recent additional unemployment in your city, if any, made the relief problem more serious?
Little change.
If some scheme or plan could be worked out whereby a number of these people could be moved onto small tracts of land where anyone would be able to make a partial living and a thrifty and willing person could probably take care of themselves, this would help the situation in this locality very materially.

BEN. F. STAPLETON, *Mayor.*

CAMBRIDGE

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?
Yes—not good.
2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?
Yes.
3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?
No.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Yes.

JOHN F. LYONS, *Mayor.*

GRAND RAPIDS

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

Yes—not bright.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Yes.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

No.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Yes.

C. SOPHUS JOHNSON, *City Manager.*

COLORADO SPRINGS

1. Unemployment and relief do continue to be a serious problem in Colorado Springs. We have attempted to get some definite information from various agencies but the best we can do is the statement that the demand shows considerable increase in the past month or 6 weeks.

2. It is my judgment that, in order to meet the situation adequately, the Federal Government must continue its work program on an increased basis during the next few months.

3. The financial condition of Colorado Springs does not warrant our increasing the amount of our contributions to any projects under a future Federal program. As a matter of fact, I am beginning to wonder if we could not do some of this work under contract at a lower net cost to the taxpayer than under the present set-up. Of course, if our work projects were contracted and handled on an efficiency basis, they would not begin to furnish unemployment relief to the large number of idle people here.

4. From the answers to the above three questions, I think it safe to assume that recent additional unemployment in our city has made the relief problem more serious since apparently our city is serving as a center for quite a large district to which unemployed persons are drifting for help.

I have no other data available at present, but I should like to repeat that, from the beginning of the Federal work and relief program in 1933 up to the present time, the city of Colorado Springs has cooperated to the fullest extent of its ability, in attempting to make that program a success.

E. L. MOSLEY, *City Manager.*

KENOSHA

Unemployment drastically increased. Four thousand men laid off since November 15. Relief rolls doubled and increasing at alarming rate. Thirty-three percent of population city of Kenosha now receiving relief in some form. Local units cannot continue to meet situation unaided. Strongly urge action by Federal Government to provide additional Works Progress Administration assignments at once. Situation serious.

ERICH TILLMAN,
Chairman, Kenosha County Board of Supervisors.

Supplementing telegram county chairman. State providing some aid, but problem is so pressing and relief situation reaching such proportions that immediate increase in Works Progress Administration is imperative.

H. C. LAUGHLIN, *City Manager.*

PORTLAND, MAINE

For Portland, Maine, population 70,000. September, 1,022 families city's outside relief expenditure $24,800. October decrease of 69 families; expenditures, $24,700. November decrease eight families; expenditure, $28,300. December in-

crease of 132 families; expenditure, $32,500. Above figures do not include all city expenditures on W. P. A. projects, city expenditures on relief patients in various hospitals, or city expenditures on 200 relief cases maintained on city poor farm.

Expenditures locally by State were: September, $3,200; October, $3,700; November, $3,300; and December, $4,600.

On high tax valuation city has tax rate of over $46 per thousand, or nearly 5 percent, which undoubtedly is one important factor in depressing real-estate values. Total relief expenditures amount to about $8 per thousand in real-estate tax rate. Such a basis of study, though difficult, may show those cities that are really carrying heavy load locally. Relief burden is increasing fast, and prefer not to hazard guess on amount for this quarter, which may be affected favorably by increased Works Progress Administration allotments, by initiation soon of unemployed compensation payments, or by increased number receiving old-age assistance.

Need for relief in congested areas, such as cities, develop more quickly with greater increases of load than in rural communities.

If direct allotment is given to State for distribution among various communities, a situation may develop in rurally controlled States where the distribution is not according to need but might possibly be influenced by other considerations.

JAMES E. BARLOW, *City Manager.*

BERKELEY

(1) Employment has shown a decline in Berkeley but not so pronounced as in some cities. Placements, however, at the local branch of the California State Employment Service were only 60 percent in December of what they were in September 1937. The usual winter seasonal decline in employment will probably be accentuated.

(2) The quota for California of those to be employed on W. P. A. has never been large enough to take care of those who are eligible for this employment. Its inadequacy is becoming more and more apparent as the number on direct relief on account of unemployment increases.

(3) Absolutely not able to increase local contributions.

(4) There are no relief figures for Berkeley alone, since relief is on a county-wide basis. For Alameda County, I am told, the number on direct relief at the State relief administration (need for relief due to unemployment as a cause) doubled in the 6 weeks following the middle of November 1937.

MARGERY CARPENTER,
Commission of Public Charities.

LAKEWOOD

(1) Unemployment and relief are more serious at this time than they have been for several years. The city of Lakewood took over its own relief load on June 1, 1937, and at that time there were 157 cases; July 1, 150; August 1, 143; September 1, 132; October 1, 131; November 1, 141; December 1, 156; December 31, 180. This is greatly due to the recession in private industry; and it might be interesting to you to know that in the greater Cleveland district approximately 50,000 persons were added to the unemployed list from October 15 to December 1.

(2) I do not believe there has been any time that the local political subdivisions were in the bad financial condition they are now; and if we want to prevent starvation, riot, and bloodshed, it is compulsory that the Federal Government provide increased relief, either in direct or work relief, or both.

(3) The financial condition of the city of Lakewood is such that if the Federal Government would increase allocations or approve Works Progress Administration projects now submitted we would have to provide the sponsor's contribution by the issuance of bonds, as our general operating funds do not permit the expenditure of money for that purpose.

(4) I think my reply to item 1 has answered this in full.

(5) There is so much that could be said on this subject but time and space do not permit; but in the city of Lakewood the assessable valuation was reduced 38 percent in a period of 4 years, from 1930 to 1933, inclusive. In addition to this, the electors of the State of Ohio voted a constitutional amendment limiting the rate of taxation for operating purposes to 10 mills instead

of the previous 15 mills, another drastic reduction. The State then established a sales tax to provide for the reductions theretofore made but it is not sufficient to provide the losses sustained by the two items of reduction.

At this time by nonaction and nonleadership in the State of Ohio the political subdivisions are required to bear their own relief loads. Some effort is being made to provide State funds; but if the indigent people do not eat until such provision is made, then I fear many of them will not need any food. The poor relief conditions in the State of Ohio are in a most critical condition at this time. Many of the municipalities in the State are now bonded to the extent that further bonds cannot be issued without a vote of the people; and the people in the past few years have rebelled against voting additional bonds or levies.

We receive plenty of sympathy from State officials, but people cannot live on sympathy.

A. I. KAUFFMAN, *Mayor.*

ST. PAUL

(1) Unemployment and relief is the most serious problem facing our local governments. The following excerpt from a letter to Governor Benson, in which we answered the question, "Are present needs in your county greater than the 'normal' needs for this period of the year?" will give you the pertinent statistics regarding our experience this fall and winter as compared to the same period last year:

"It has been so long since anything has been 'normal' in connection with the administration of relief that perhaps we can best answer this question by reference to our experience last year. In September 1936 our direct-relief case load was 6,477, as compared to 5,945 this year. During October 1936 we provided relief to 7,004 cases, or an increase of 527 over the preceding month. During October 1937 we provided relief to 6,533 cases, or an increase of 588 over the previous month. In November 1936 we provided relief to 7,274 cases, or an increase of only 270 over the previous month, while in November 1937 we provided relief to 7,253 cases, or an increase of 720 over the previous month. In December 1936 we provided relief to 7,710 cases, or an increase of 436 over the preceding month. We have just completed our case count for the month of December 1937 and find that we provided relief to 8,336 cases, or an increase of 1,083 over the preceding month. Our December 1937 expenditures were $328,485, as compared to $278,536 in December 1936.

"In other words, our case load in September 1937 was 532 cases less than in September 1936, but by December 1937 our case load was 626 more than in December 1936. We started in the fall of 1937 with a lower case load than in the fall of 1936, and by the end of December 1937 we had a larger load than for the same period last year.

"This statistical comparison with last year would seem to indicate rather conclusively that the needs are considerably greater than normal. In the opinion of many of the members of our staff, demands on our offices during December 1937 were greater than any time since 1933. For example, we received applications from 2,568 persons during December, of which we accepted 1,720."

The prospects for the remainder of the winter and the spring are extremely discouraging. We anticipate an average expenditure for direct relief of $335,000 per month during the next 3 months, as compared to an average expenditure of $307,000 for the first 3 months of 1937.

(2) It is absolutely essential that the Federal Government increase its contribution toward the cost of unemployment relief. With the present regulations of the Works Progress Administration, applicants for relief are required to receive direct relief before they may be certified to Works Progress Administration, unless they resigned from Works Progress Administration to accept private industry subsequent to June 7, 1937. This regulation is no doubt necessary, but it means that the local community is forced to spend many thousands of dollars in providing direct relief to persons who are accepted for relief and then certified pending receipt of their assignment and first pay check from the Works Progress Administration. The quota increases in Works Progress Administration have not been received in time to absorb those coming on relief due to unemployment.

(3) The financial situation of our city and county is such that we cannot increase our contribution to any future Federal program, nor will we be able to finance our present direct-relief load over a very much longer period. The only funds available for financing direct relief for the year 1938 must be pro-

vided through the sale of bonds. The city of St. Paul has the highest bonded debt of any of the three first-class cities in this State, and it is just a matter of time until the city and county will go bankrupt if they continue to issue bonds in payment of relief. The State legislature has further complicated our problem by reducing the amount of the State appropriation for direct relief, which, together with the reduction in Works Progress Administration quotas, placed an extremely heavy burden on our community during 1937.

(4) The recent additional unemployment in our city has made our relief problem more serious than last year, as indicated in our answer to question 1 above.

M. H. GEHAN, *Mayor.*

ST. LOUIS

(1) Unemployment and relief conditions in St. Louis have increased greatly in the past month, and there seems to be no let-up at the intake office of the relief association at the present time. This is no doubt due to a large number of lay-offs and closing of seasonable work at this time. I do not think there will be any let-up during the winter months and am unable to estimate what will happen in the spring.

(2) There is no doubt that the Government will have to continue their work program in St. Louis and vicinity on the same basis as at present.

(3) Financial condition of the city at the present time will not warrant any increased contribution on the part of the city for future work, as we are now facing a deficit.

(4) There is no doubt that additional unemployment in the city in the past 2 months has been the cause of our increased applications for relief.

W. BOTT,
Assistant Secretary to the Mayor.

DES MOINES

(1) Does unemployment and relief continue to be a serious problem in your city, and what are the prospects for this winter and spring?

Answer. Unemployment and relief are continuing to be serious problems in Des Moines. Our best estimate is that there will be about a 5-percent increase for the months of January, February, and March.

(2) Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Answer. We feel the Federal Government must continue their work program on an increased basis during the next few months.

(3) Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

Answer. The financial condition of our city will not warrant increase in the financial contributions of our city on future Federal programs. We have reached the limit of our financial indebtedness.

(4) Has recent additional unemployment in your city, if any, made the relief problem more serious?

Answer. Additional unemployment is making the relief problem more serious.

J. H. ALLEN, *Mayor.*

MILWAUKEE

I am giving herewith an answer to Senator Lundeen's wire: "Cases receiving relief during September, 12,707; increase for October, 836; increase for November, 1,627; and increase for December, 2,687. Total amount expended for relief purposes by county of Milwaukee for September, $354,000; for October, $398,000; for November, $441,000; and for December, estimated at $540,000. Relief costs for the first 3 months of 1938 will run close to $1,700,000. Milwaukee County has not appropriated so large a sum and will have to borrow at the end of the year."

I am now answering the questions raised:

(1) According to monthly bulletin of the Milwaukee office of the Wisconsin State Employment Service, their active file of applications for employment has increased steadily during the past 3 months to a total of 46,428, an increase of 31 percent over the September total. At the same time, the worker demand decreased about 31 percent during November and 16 percent more during De-

cember, the December total being reported as 43½ percent below the demand for December 1936. So far in the current month the unemployment ranks have been considerably increased by additional reductions by several large employers.

(2) It is absolutely essential that the Federal Government continue its work program on an enlarged basis during the next few months in order to meet the situation. In addition, the Federal Government should definitely grant assistance to the States and counties to help them carry the direct-relief load.

(3) The county's appropriation for relief in 1938 was based on estimates formed during July and August. The actual costs will be far in excess of the appropriation. It will be necessary, therefore, for the county to borrow money to continue the relief program.

(4) The additional unemployment in this city has assumed such proportion as to throw an unusually heavy burden on the relief department. The applications accepted during December and those accepted up to date are far in excess of the number for any similar period during the depression. During the last quarter of 1937 the cost of relief was running at an average of $5,500,000 a year, while for the third quarter the costs on an annual basis were at the rate of $3,800,000 a year.

DEPARTMENT OF OUTDOOR RELIEF,
BENJAMIN GLASSBERG,
Superintendent.

(1) It is certain that the situation has not improved, and either the Federal Government or some other body must continue to provide work on a basis equal to the past or even an increased basis during the next few months.

(2) The financial condition of the city of Milwaukee does not permit increasing the financial contributions of the city on future Federal programs. The board of estimates, in making up the 1938 budget, gave very serious consideration to this very question. We have appropriated the same amount for this purpose that we had appropriated in 1937. We are now notified, as I understand, that the city's portion of the cost of Works Progress Administration projects will be materially increased, and the amount we have appropriated will not give as much employment to as many people as in 1937. You yourself are aware that we strained to the utmost our ability to raise funds for this purpose. Our budget has been adopted without knowing of the increased demands of the Federal Government, and we have no means now of making available any additional funds.

(3) Every indication we have is that increased unemployment in our city is making the relief problem much more serious. It is for this reason that we provided every dollar that could be spared to further the Works Progress Administration program for the year 1938 in our city. The city of Milwaukee still has $9,000,000 of delinquent taxes, which is compelling us to continue to pay city employees one-fourth of their salaries in scrip. Until this enormous load is lifted there is no prospect of the city being able to do anything beyond what it is doing today.

JAMES BARR, *Deputy Comptroller.*

I can only add that our tax rate this year is the highest it has ever been, due to the increased demands which we are called upon to meet. Our tax rate last year was $33.39, and this year it had to be raised to $36.58 per thousand, an increase of $3.19.

The unemployment problem is growing steadily worse, and this is reflected in an unprecedented rush of applicants for relief.

DANIEL W. HOAN, *Mayor.*

SPRINGFIELD (MISSOURI)

1. Unemployment and relief conditions are a serious problem in our city and as the winter advances, we expect the need to be more serious in taking care of these conditions.

2. In my judgment, in order to meet the situation, the Federal Government should continue its work program on an increased basis during the next few months.

3. The financial condition of this city does not warrant us in increasing the financial contributions, except to a very light extent on any future Federal programs.

4. The fact that two of our garment factories, our furniture factory, our wagon and truck factory have shut down by reason of lack of business and otherwise, it makes the unemployment situation and the relief problem quite serious.

5. It occurs to me in looking the situation over that we are sadly in need of all the assistance that it is possible for us to receive from the Federal Government, at least, until springtime comes and more employment will develop. There is no question in my mind but what the cooperation of the Federal Government with the municipalities must become closer and more effective.

HARRY D. DURST, *Mayor.*

FORT WORTH

1. Unemployment and relief continues to be a very serious problem in this city, and the prospects for the winter and spring are not much better.

2. It is our judgment that the Federal Government must continue its work program on the same and even an increased basis to meet the present unemployment situation.

3. The financial situation of the city of Fort Worth does not warrant increasing its contributions.

4. The relief problem is more serious, due to additional unemployment during the past 3 months.

5. At the present time there are approximately 12,000 unemployed in the city of Fort Worth.

D. L. LEWIS, *City Manager.*

SAGINAW

1. Unemployment and relief conditions continue to be a very serious problem in Saginaw. In fact, the situation is much more severe than we had anticipated at the beginning of the budget year. It appears that the problem will be acute at least until April or May, and that our relief and Works Progress Administration load will be double that of the earlier part of the year. There have been 2,400 men laid off in one group of plants alone, and a large majority of these men have already applied for relief.

2. It is my opinion that the Federal Government must continue and expand the work program. An increase in the number of Works Progress Administration workers has already been allowed in Saginaw, and assignments are being made as rapidly as the cases qualify for relief.

3. The financial condition of the city will not permit the financing of the portion of the cost of relief expected by the State government, and it will be difficult to promote Works Progress Administration projects unless the regulations are somewhat liberalized in order that projects requiring little or no material can be undertaken, or unless the Federal Government will allow additional Federal funds for material purchases.

The city of Saginaw is operating under a tax limitation, and it is almost impossible to obtain sufficient funds to provide for the increased relief costs and still perform the necessary municipal functions. I have long felt that the burden of unemployment relief has been and will be too great for the cities to finance under the real-estate tax.

L. P. COOKINGHAM, *City Manager.*

CEDAR RAPIDS

1. Do unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

Answer. Yes.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Answer. It is our opinion that the Federal Government should continue its work program on at least the same basis as in the past.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

Answer. The financial condition of our city could make some additional contribution should it become necessary.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Answer. There seems to be no additional unemployment in our city at this time and it is somewhat under a year ago, but relief cases during the winter have increased because of the reduced Works Progress Administration activities.

F. K. HAHN, *Mayor.*

NORFOLK

1. Do unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

Answer. Yes; a very serious problem. From present indications expenditures for direct relief in 1938 will be from 10 to 20 percent higher than in 1937. This upon the assumption that there will be no decrease in numbers worked by Works Relief Administration.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Answer. The Federal Government should by all means continue its work program at least on the same scale as at present and perhaps on an increased scale at least through March of 1938.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

Answer. No.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Answer. One of our larger plants has been shut down for some time now and I am advised will remain closed for at least another month. This has increased the relief problem.

If Works Progress Administration continues as at present and if there is no further reduction in opportunities for employment in private industry, Norfolk should be able to get through 1938 reasonably well. If Works Progress Administration is drastically curtailed or abandoned, there is no telling what will happen, since nothing indicates that private industry will be able to absorb even an appreciable number of those laid off and the city is in no position to assume the load.

THOMAS P. THOMPSON, *City Manager.*

ERIE

1. Does unemployment and relief continue to be a serious problem in your city—and what are the prospects for this winter and spring?

Answer. Yes. Immediate picture is that relief load will continue to mount during first quarter 1938.

2. Is it your judgment that in order to meet the situation the Federal Government must continue its work program on the same or even an increased basis during the next few months?

Answer. Must increase its work program during the next few months.

3. Is the financial condition of your city such as to warrant increasing the financial contributions of the city on any future Federal program?

Answer. Not in financial condition.

4. Has recent additional unemployment in your city, if any, made the relief problem more serious?

Answer. Yes.

Relief situation in Erie County as follows:

	Cost
September 1937, 4,121 persons	$40,941.70
October 1937, 4,493 persons	51,189.84
November 1937, 5,254 persons	50,045.64
December 1937, 6,841 persons	60,721.67

We have also registered to date 6,561 persons for unemployment compensation.

CHARLIE R. BARBER, *Mayor.*

I have also been asked to file for the record this statement of the Conference on Unemployment and Taxation, which was held in Washington last week.

(The statement is as follows:)

STATEMENT ON UNEMPLOYMENT AND TAXATION APPROVED BY THE CONFERENCE ON UNEMPLOYMENT AND TAXATION HELD IN THE CITY OF WASHINGTON ON JANUARY 15, 1938.

Whereas the Federal Government's census of the unemployed taken in November 1, 1937, confirms or exceeds the highest reliable estimates of the number of idle workers in that month; and

Whereas the number of unemployed, with the increase of over 1,000,000 since November, now numbers more than 12,000,000;

Whereas not one-half of the 600,000 W. P. A. workers discharged by the Federal Government during 1937 have yet been restored to these public-works jobs, while hundreds of thousands of other applicants for W. P. A. positions are not being certified by local and Federal Governments as eligible for these jobs: Now, therefore, be it

Resolved, That the members of this conference assembled at the Hotel Continental, in the city of Washington, on January 15, 1938, call upon the President and the Congress to enact the following legislation:

1. The repeal of the Woodrum amendment which provides that Federal funds appropriated at the last session of Congress for relief of the unemployed, be spread over the full fiscal year.

2. Measures for the appropriation of additional funds for public works and direct relief, in sufficient amount to assure the continuance of the Federal relief program to the extent of the need of the surplus unemployed workers of the Nation, securing from the State and local governments such cooperation, financial and otherwise, as they are able to contribute.

3. Tax measures which shall increase heavily the taxes on incomes, personal and corporate, on estates and land values, and reduction or repeal of consumption taxes—all to the end that government shall assume the responsibility of providing jobs to those whom private industry does not hire.

This statement was referred to the executive committee for final decision, then to be sent to the persons sponsoring the conference to ask the organizations with which they are officially connected to endorse and to work for.

The executive committee following the adjournment of the conference approved the statement.

BENJAMIN C. MARSH.

STATEMENT OF J. BANKS HUDSON

The CHAIRMAN. Mr. Hudson, will you take the chair for a moment, please?

Mr. Hudson, a few days ago when you were here Senator Davis was unavoidably absent. He desires to ask you a few questions at this time.

Senator DAVIS. The W. P. A. made an investigation of conditions in the W. P. A. in Luzerne County, have you such a report in your office?

Mr. HUDSON. No, sir; I have not.

Senator DAVIS. Do you know where that report [1] is?

Mr. HUDSON. No, sir. That was done before I came on the job.

Senator DAVIS. Isn't it in the files of your office somewhere?

Mr. HUDSON. It should be.

Senator DAVIS. Will you get that and send it to the commission?

Mr. HUDSON. Of Luzerne County; yes, sir.

Senator DAVIS. You stated when you were before the committee, last Thursday, or last Tuesday, that the noncertified, nonrelief personnel in Pennsylvania is 3.6.

Mr. HUDSON. 3.8, as of January 12.

Senator DAVIS. In Massachusetts it is only 0.4; less than one-half of 1 percent.

[1] Witness subsequently advised Senator Davis that the report had been transmitted to the Department of Justice, Washington, D. C., for consideration.

Mr. HUDSON. Yes.

Senator DAVIS. I believe you stated that you are of the opinion that the sponsors in Massachusetts contributed toward the personnel of the Administration forces.

Mr. HUDSON. The non-relief personnel on the projects.

Senator DAVIS. That is right.

Mr. HUDSON. That is what I understood.

Senator DAVIS. Their representative was here. He said that no outside parties have contributed to that, and that their personnel is 0.4. Can you tell me why Pennsylvania is so high and Massachusetts is so low?

Mr. HUDSON. I think I can tell you why Pennsylvania is high. Of course, it has been brought down from 8 percent to 3.8, and will go slightly lower, but I question the advisability of going too low, because a great many of our nonrelief personnel have resisted the relief so long, and are so very needy that it will certainly work an injustice on the needy people who have resisted relief for such a long time.

Senator DAVIS. How many have you on the administrative staff?

Mr. HUDSON. Approximately 1,900.

Senator DAVIS. What are their salaries?

Mr. HUDSON. They range from $75 a month to $8,500 a year.

Senator DAVIS. Can you give to the committee a list of their salaries, their names, their addresses, and the amounts they receive for the supervisory work?

Mr. HUDSON. Yes. Is that for administrative and supervisory, too?

Senator DAVIS. Yes. That is right.

Mr. HUDSON. Do you want that by counties?

Senator DAVIS. I would like to have it by counties, if it is possible to get it that way. Can you give the number of people on work relief that the Supervisor has charge of? In other words, you have one supervisor to so many men. Can you give me those figures? Is it possible to get them?

Mr. HUDSON. Would you want it this way, by project, the supervisory personnel, and the number of people on that project?

Senator DAVIS. Yes. I do not care about the names of the people, but the number of those supervising.

Mr. HUDSON. The people that supervise.

Senator DAVIS. How many people are now certified as eligible for W. P. A. in Pennsylvania who cannot be given work, under present appropriations?

Mr HUDSON The Secretary of the Department of Public Assistance says 135,000, less about 31,000 or 32,000 that we have put on since the first of the month, so, in round figures, around 100,000.

Senator DAVIS. Are these people who are denied work as well qualified and deserving of public assistance as those now on W. P. A.?

Mr. HUDSON. As far as I know; yes, sir.

Senator DAVIS. Do you approve of the policy of dropping from W. P. A. any worker who tries to supplement his W. P. A. salary?

Mr. HUDSON. I think, Senator, in the main, we do not approve of that. If he picks up 3 or 4 dollars working after hours it is all right, but if he supplements to any great extent we do.

Senator Davis. Have you made any investigation as to the number of the men who are on W. P. A. and who hold other positions, too?

Mr. HUDSON. No, sir. The only investigations that we make are when we receive complaints. Of course, you understand when we put on nonrelief supervisory personnel and administrative personnel we question them as to their need, and if, in our opinion, they have an income in the family, that is great enough to support them, we do not put them on.

Senator DAVIS. That is not what I meant. My attention was called, personally, to a man who was on three pay rolls, on the south side of Pittsburgh. I do not recall his name. In other words, he is on W. P. A., and he worked about 7 hours in addition to his work on W. P. A.; and he is drawing three salaries. Can you make an investigation and ascertain how many people there are on W. P. A. who are doing likewise?

Mr. HUDSON. In that specific case if we had that man's name and investigated it and found that that was so, we would take him off immediately, but to conduct an investigation as to how many of our people have other incomes would be quite a job and would cost a lot of money.

Senator DAVIS. Of course, what I am interested in is the man is on W. P. A., and at the same time he has another job, and by doing that he is depriving somebody else, who does not care about going on W. P. A., of that particular job. I think it is worth your while to make that investigation, no matter what the cost might be. That is not only deceiving the Government but, in all probablilty, he is destroying the prevailing wage rate.

Mr. HUDSON. You refer, Senator, only to nonrelief supervisory projects?

Senator DAVIS. That is right.

Mr. HUDSON. We will make a general investigation.

Senator DAVIS. How long has it been the policy of the W. P. A. not to receive aliens?

Mr. HUDSON. I do not remember the date. Approximately 6 or 8 months ago.

Senator DAVIS. What evidence do you have that the cost of living in a community of 49,000 is 20 percent less than the cost of living in a community of 101,000?

Mr. HUDSON. That has been gone into rather thoroughly. I do not have those figures at my finger tips.

Senator DAVIS. Could you send them in?

Mr. HUDSON. We can send in what evidence we have. You are referring to the different rates, security rates, in the different counties, according to population?

Senator DAVIS. Yes. You have had a number of years' experience in the handling of relief, and I wanted to ask you if you favor the Schwellenbach-Allen bill, which would give W. P. A. employment to everyone who can not find employment?

Mr. HUDSON. I am not familiar with that Schwellenbach-Allen bill.

Senator DAVIS. I will be glad to get you a copy of the bill. I would like to have you express yourself fully on it.

Mr. HUDSON. I will.

Senator DAVIS. Has there been a reduction in the number of administrative personnel and the cost of overhead in W. P. A. since its beginning, in Pennsylvania?

Mr. HUDSON. Yes, sir.

Senator DAVIS. How much?

Mr. HUDSON. Approximately half of the personnel, and approximately half of the money. I can send you those figures if you wish.

Senator DAVIS. Can you give me an exact statement of the last quarter, as to what the reduction, if any, has been?

Mr. HUDSON. During the last quarter, or compared to the quarter before, or from the start?

Senator DAVIS. Yes.

Mr. HUDSON. Yes.

Senator DAVIS. You will make effort to get me that Luzerne County report,[1] because of the fact that there are so many different statements that have been made on it.

Mr. HUDSON. Yes, sir.

Senator DAVIS. I would like to get the report itself and read it, in order that I may be able to make a statement directly from the report.

Mr. HUDSON. Do you know whether that refers to a general investigation of W. P. A. conditions in Luzerne County, or a particular case?

Senator DAVIS. I think the W. P. A. made the investigation itself. That is all.

The CHAIRMAN. That is all.

STATEMENT OF WALTER S. TOWER, EXECUTIVE SECRETARY, AMERICAN IRON AND STEEL INSTITUTE

The CHAIRMAN. Mr. Tower, you are executive secretary of the American Iron and Steel Institute?

Mr. TOWER. Yes, sir.

The CHAIRMAN. In response to the invitation of the committee, I understand that you have prepared a statement, and if you will read that first, I think it will possibly save some inquiries by the committee.

Mr. TOWER. Mr. Chairman, counsel for your committee asked me to cover certain points in which he thought your committee would be interested, and the statement which I am about to read follows essentially the line of those suggestions, as far as I am able to answer them from the information which we have available.

The American Iron and Steel Institute is a New York membership corporation, membership in which is open to individuals directly or indirectly connected with the iron and steel industry, and to companies which are directly engaged in making iron and steel products. The institute was incorporated on March 31, 1908.

The companies which are members of the Institute comprise approximately 90 percent of the industry. It should be pointed out, however, that statistics of production and employment are also reported to the Institute from companies in the industry which are not members of it. Production records go back many years, but it is only since September 1933 that the Institute has collected statistics on employment and pay rolls in the industry.

From January 1933 to the spring of 1937 the trend of production of steel ingots was generally upward The principal deviations from this trend were (1) in the last half of 1933, when operations declined for 4 successive months following the year's peak in July, and (2) in 1934, when operations declined sharply for 4 successive months

from the year's peak in May and continued at relatively low levels until the end of the year.

The month of largest output since 1929 was in March 1937, when a total of 5,216,243 gross tons of ingots was produced. The total for that month was only 1.3 percent below the peak of monthly production in 1929 (May). Between August and December 1937, steel production declined approximately 70 percent, the December total amounting to only 1,472,241 gross tons.

Approximately 95 percent of the steel products shipped by the industry during the first 9 months of 1937 went to domestic purchasers, as against 97 percent in the corresponding period of 1936. These percentages were calculated from reports of production for sale of iron and steel products, which correspond very closely to shipments submitted to the institute by producing companies. The reports submitted to us do not indicate the destination of the exported tonnage

There are no complete statistics available to show the distribution of steel to consuming industries. Estimates of such distribution have been made annually by certain trade publications, however, and these indicate that the automotive, building construction, and railroad industries are the leading three consumers of steel products.

Such estimates covering 1937 have not yet been published, but a comparison of 1929 and 1936 shows that the automotive industry has increased in importance as a consumer of steel and that the railroad industry has decreased. The percentage of steel estimated by one of those publications as going into building construction in 1936 approximated the percentage which was used for that purpose in 1929. The figures as published by the Iron Age and Steel, respectively, are as follows:

	The Iron Age		Steel	
	1929	1936	1929	1936
Automotive	18.0	20.3	17.6	20.9
Building	16.5	12.5	14.7	13.9
Railroads	17.0	10.3	18.4	11.3
Total	51.5	43.1	50.7	46.1

Indicating, of course, for those leading consumers of steel products in 1936 a smaller percentage of the total went to those consuming industries.

Employment in the steel industry has been declining in recent months, but it has not been in proportion to the decline in production. The latest available figures covering both employment and production in the industry are for the month of November 1937. Those figures for November show a decrease of 59 percent from the year's peak for steel operations, while the number of employees on the pay rolls had declined only 8.6 percent from the peak. The number of hours worked per week was down about 35 percent.

The high level of employment was reached in August 1937, with a total of 603,000 wage and salary employees attached to the steel industry. The average hours per week during that month were 37.9, and the average earnings per hour were 86.1 cents.

By November the number of employees had declined to 551,000, and the average hours per week for each employee, to 27.6. The average earnings per hour were 82.1 cents. The volume of total pay rolls had declined from $94,300,000 in April to $62,100,000 in November.

During December there was a further decline in operations, the rate in the closing week of the year dipping below 20 percent, with the figure for the whole month only 25.4 percent of capacity. Undoubtedly that drop was accompanied by some further decline below the November figures, both for numbers of men employed and average hours worked per week. Employment has not fallen so sharply as production, evidently because steel mills are reported to be spreading the work and maintaining their organizations to the fullest extent possible.

Since the 1st of January there has been a slight pick-up in the rate of operations, the rate for the current week being 29.8 percent. Some men probably have been called back to work, but the chief effect of that pick-up probably would be a slight increase in the number of hours worked in various plants. Indications in the trade are for at least a moderate measure of further improvement during the early months of the year.

Wages and employment last year reached the highest level ever witnessed in the steel industry. In June 1933, when the institute began to collect figures on employment, the number of wage earners reported for that month was 305,000, and the average earnings per hour were 47.3 cents. Since that time there have been four increases in wages, amounting in all to about 80 percent. In addition, the steel companies last year quite generally inaugurated the payment of time and one-half for overtime beyond 40 hours per week or 8 hours per day.

The most recent wage advances were put into effect in November 1936 and March 1937. Taken together, they amount to an advance of 31 percent and brought the hourly earnings of steel employees to 32 percent over the 1929 level.

From June 1933 to May 1937 at least 200,000 wage earners and nearly 25,000 salaried workers were added to the pay rolls of the industry.

The recent record of the industry in endeavoring to maintain employment and pay rolls in spite of sharply declining production is in accordance with the policy which was adhered to during the depression years following 1930.

The Census of Manufactures for 1929 reported that the total value of production of blast furnaces, steel works, and rolling mills of the country was $4,137,214,000, and that a total of $730,974,000 was paid in wages.

In 1931 the same source reported the value of production at $1,714,214,000, or a decline of 59 percent. Total wages paid in 1931 was reported at $357,645,000, a decline of 51 percent from 1929.

For 1933 the census showed a total value of $1,357,574,000 for iron and steel production, 67 percent below 1929, while its figure of $270,367,000 for wages paid was 63 percent below 1929.

The upturn in 1935 raised the value of iron and steel production to $2,305,970,000, or 44 percent below 1929, but the total of wages increased still faster to $458,584,000, within 37 percent of 1929. No census figures on the value of steel production in 1936 or 1937 are available at this time.

A decline in the aggregate purchasing power of the employees of the steel industry, as indicated by the smaller monthly pay rolls, is a direct reflection of the fact that total production and hours of work have dropped sharply.

According to reports to the Institute, during the year 1936 an average of $56,406,000 was distributed monthly to wage-earning employees of the industry. In the first 8 months of 1937 the average monthly wage pay roll was $73,395,000. From September through November, however, the average was $59,865,000. Although the average monthly wage pay roll from September through November 1937 was above the average for 1936, the average tonnage of steel ingots produced in that period was 16 percent below the monthly average for 1936.

In the 3 years 1935–37, approximately $650,000,000 was spent by companies in the iron and steel industry for new plants and equipment. Of the total amount spent by the industry for new equipment and construction during the past 3 years, $290,000,000 was spent in 1937; about $216,000,000 in 1936 and $140,000,000 in 1935.

From the information which is available, it is impossible to determine exactly how these sums were expended. The capacity of the industry for producing steel ingots has shown little change in the past 3 years. That period was marked chiefly by the construction or improvement of finishing facilities, including a number of continuous mills for producing flat-rolled products.

There have been some assertions that the advance in prices for steel over the last 2 years have far outrun increased cost of production. Such assertions are not in accordance with the facts; for in addition to the series of increases in wages which have raised the hourly earnings of steel wage earners to the highest level in the history of the industry—more than 30 percent over the average in 1929—there have been substantial increases in the cost of raw materials, taxes, and other expenses. These higher costs of production have almost completely offset the revenues accruing from the higher prices for steel.

That is the end of the prepared statement, but I would like to call your attention to the reproduction of the record of statistics, which is attached to the statement, and the small graphs following thereon, in which the statistical record has been reduced to a graphic presentation, using the average of 1933 as 100.

Month and year	Open hearth and Bessemer steel ingots		Number of employees, average hours worked pe							
			As reported by members of the industry							
			Employees receiving hourly, piecework, or tonnage wages						All emp	
	Production (gross tons)	Percent of capacity	Number of companies	Number employees	Total hours worked	Average hours per week per employee	Total wages (whole dollars)	Average earnings per hour (cents)	Number employees	T ho wo
1933										
January	1,016,870	17.76								
February	1,073,012	20.76								
March	898,236	15.69								
April	1,345,422	24.27								
May	1,976,428	34.52								
June	2,564,420	46.25	201	305,239	51,645,321	39.4	24,441,054	47.3	338,146	57, 5
July	3,168,354	55.46								
August	2,863,569	50.02								
September	2,283,079	41.27	208	380,271	52,252,033	32.0	29,608,107	56.7	417,020	58, 70
October	2,084,894	36.42	224	378,862	52,308,897	31.2	30,291,985	57.9	416,277	59, 11
November	1,521,189	27.44	219	362,206	43,044,055	27.8	24,838,494	57.7	399,569	49, 58
December	1,798,606	31.49	222	357,424	45,736,252	28.9	26,439,830	57.8	394,943	52, 32
Average and total, 1933	22,594,079	33.53		[1] 288,945			[1] 270,367,000		[1] 313,421	
1934										
January	1,997,129	34.33	222	355,292	45,898,885	29.2	26,737,393	58.3	393,013	52, 75
February	2,211,944	42.10	219	365,305	46,655,614	31.9	27,394,221	58.7	403,298	53, 30
March	2,798,440	48.10	225	380,471	56,047,913	33.3	33,010,060	58.9	419,277	63, 03
April	2,936,064	52.11	226	392,069	56,723,813	33.7	36,778,026	64.8	431,086	63, 69
May	3,399,494	58.43	224	409,698	66,450,593	36.6	42,916,172	64.6	449,382	73, 78
June	3,059,483	54.30	225	415,547	63,589,289	35.7	40,630,314	63.9	455,966	70, 77
July	1,489,453	25.66	223	383,673	41,881,779	24.4	26,150,272	63.2	424,126	48, 44
August	1,381,350	23.74	224	364,583	40,447,674	25.0	25,691,520	63.5	404,793	47, 57
September	1,268,977	22.57	217	343,064	33,203,234	22.6	21,244,286	64.0	381,828	39, 47
October	1,481,902	25.47	222	342,772	38,621,836	25.4	24,699,063	64.0	381,431	45, 28
November	1,610,625	28.59	216	343,219	38,793,790	26.3	25,062,162	63.7	381,663	45, 16
December	1,964,257	33.84	219	347,872	42,137,928	27.4	27,410,206	65.0	386,345	48, 52
Average and total, 1934	25,599,118	37.38		369,845	569,093,876	29.5	357,293,012	62.8	409,349	651,80
1935										
January	2,870,161	49.06	215	368,095	54,783,373	33.6	35,879,072	65.5	407,071	61, 69
February	2,774,271	52.52	217	381,010	54,221,180	35.6	35,652,577	65.8	420,397	61, 03
March	2,865,292	48.98	219	385,506	57,882,810	33.9	38,053,190	65.7	425,189	64, 90
April	2,640,602	46.61	218	384,546	56,368,593	34.2	37,174,010	65.9	424,623	63, 45
May	2,633,661	45.02	208	381,303	57,326,908	33.9	37,529,522	65.5	421,470	64, 66
June	2,258,664	39.87	209	376,431	50,777,987	31.4	33,080,422	65.1	416,732	57, 81
July	2,267,827	38.86	208	375,348	52,309,607	31.5	33,855,040	64.7	415,937	57, 46
August	2,915,930	49.85	201	383,090	59,405,552	35.0	38,842,086	65.4	423,925	66, 79
September	2,825,004	49.99	200	383,949	55,905,848	34.0	36,536,949	65.4	424,779	63, 04
October	3,142,759	53.72	198	390,805	63,772,782	36.8	41,785,439	65.5	431,680	71, 30
November	3,150,409	55.61	200	393,376	60,272,446	35.7	39,706,943	65.9	434,425	67, 53
December	3,073,405	52.66	196	402,793	62,211,751	35.0	40,845,855	65.7	445,272	69, 75
Average and totals, 1935	33,417,985	48.54		383,855	685,238,237	34.2	448,941,105	65.5	424,282	771,464
1936										
January	3,039,804	52.39	192	405,275	66,448,049	37.0	43,397,539	65.3	448,105	74, 33
Febarary	2,956,891	54.53	191	403,589	61,500,038	36.8	40,010,591	65.1	446,765	69, 14
March	3,333,853	57.46	180	395,445	65,162,434	37.2	42,742,884	65.6	437,916	72, 81
April	3,932,605	69.99	178	408,953	71,746,113	40.9	47,266,490	65.9	451,792	79, 48
May	4,037,375	69.58	179	419,465	75,176,698	40.5	49,520,046	65.9	462,844	83, 14
June	3,975,569	70.75	179	424,672	74,328,828	40.8	49,738,582	66.9	468,847	82, 28
July	3,914,370	67.61	173	439,508	75,774,988	39.0	50,971,224	67.3	484,372	83, 87
August	4,184,287	72.11	171	444,953	78,208,172	39.7	52,278,848	66.8	491,549	86, 74
September	4,151,388	74.05	170	448,474	77,779,922	40.5	51,593,460	66.3	495,641	86, 27
October	4,534,246	78.15	170	452,423	85,259,010	42.5	56,488,981	66.3	509,008	94, 16
November	4,323,025	76.94	170	449,900	78,548,974	40.7	54,596,674	69.5	497,985	87, 25
December	4,424,367	76.42	170	456,607	83,812,046	41.5	61,023,742	72.8	505,455	92, 88
Average and totals, 1936	46,807,780	68.36		429,111	893,745,272	39.8	599,629,059	67.1	474,273	992,418
1937										
January	4,724,939	81.43	164	463,893	83,224,662	40.5	60,369,223	72.5	512,980	92, 165
February	4,413,832	84.25	166	470,767	80,072,917	42.5	58,257,263	72.8	520,766	89, 084
March	5,216,666	89.91	165	487,436	91,870,563	42.5	72,888,836	79.3	540,407	101, 773
April	5,071,875	90.27	161	495,779	87,748,386	41.3	75,116,026	85.6	550,277	97, 741
May	5,153,559	88.82	161	498,176	85,148,041	38.6	73,702,828	86.6	553,882	95, 432
June	4,183,762	74.46	161	462,424	77,862,904	39.2	68,249,760	87.7	518,879	88, 304
July	4,556,596	78.49	159	497,536	81,977,156	37.3	71,190,232	86.8	554,708	92, 464
August	4,875,671	83.79	163	504,216	84,635,163	37.9	72,838,549	86.1	562,095	95, 426
September	4,301,869	76.52	164	503,643	79,230,977	36.8	66,800,712	84.3	561,743	89, 889
October	3,392,691	58.31	166	489,463	69,265,151	31.9	57,543,465	83.1	547,104	79, 837
November	2,153,781	38.22	166	457,196	54,034,357	27.6	44,361,949	82.1	514,010	64, 547

[1] Reported by the Bureau of the Census of the U. S. Department of Commerce.

NOTE.—Data are not available where columns are left blank.

rked per week and average earnings per hour in the iron and steel industry

ndustry					Calculated by the institute for all companies—all employees receiving wages and salaries				
	All employees receiving wages and salaries								
er s	Total hours worked	Average hours per week per employee	Total wages (whole dollars)	Average earnings per hour (cents)	Number employees	Total hours worked	Average hours per week per employee	Total wages (whole dollars)	Average earnings per hour (cents)
46	57, 555, 359	39.7	30, 560, 761	53.0					
20	58, 706, 144	32.8	37, 322, 250	63.6					
77	59, 118, 622	32.1	38, 334, 978	64.8					
39	49, 589, 487	29.0	32, 671, 986	65.9					
43	52, 329, 531	29.9	34, 323, 694	65.6					
21			[1] 317, 873, 000						
13	52, 754, 455	30.3	34, 877, 542	66.1					
08	53, 307, 459	33.1	35, 424, 791	66.5					
77	63, 034, 374	33.9	41, 263, 370	65.5					
66	63, 690, 525	34.4	45, 471, 878	71.4					
32	73, 780, 607	37.1	51, 895, 931	70.3					
56	70, 774, 145	36.2	49, 466, 644	69.9					
26	48, 448, 622	25.8	34, 913, 521	72.1					
33	47, 571, 174	26.5	34, 362, 208	72.2					
28	39, 473, 407	24.2	29, 142, 892	73.8					
31	45, 284, 262	26.8	32, 723, 909	72.3					
33	45, 165, 828	27.6	32, 937, 099	72.9					
45	48, 520, 687	28.4	35, 362, 732	72.9					
49	651, 805, 545	30.5	457, 842, 517	70.2					
71	61, 692, 147	34.2	44, 328, 552	71.9					
97	61, 034, 818	36.3	44, 212, 859	72.4					
89	64, 900, 058	34.5	46, 764, 185	72.1					
23	63, 458, 469	34.8	45, 890, 244	72.3					
70	64, 661, 999	34.6	46, 493, 536	71.9					
32	57, 815, 989	32.3	41, 902, 874	72.5					
37	59, 468, 418	32.4	42, 725, 150	71.8					
25	66, 798, 859	35.6	47, 890, 277	71.7					
79	63, 041, 306	34.7	45, 472, 741	72.1	429, 217	63, 699, 115	34.7	45, 892, 839	72.0
80	71, 305, 498	37.3	50, 951, 480	71.5	436, 554	72, 121, 613	37.3	51, 456, 368	71.3
72	67, 532, 808	36.2	48, 777, 580	72.2	438, 370	68, 146, 120	36.2	49, 170, 940	72.2
72	69, 753, 960	35.5	50, 402, 040	72.3	451, 810	70, 744, 380	35.5	51, 065, 900	72.2
92	771, 464, 329	34.9	555, 811, 518	72.0	426, 000	774, 542, 000	34.9	557, 794, 000	72.0
06	74, 337, 432	37.4	53, 137, 764	71.5	453, 964	75, 316, 548	37.4	53, 783, 156	71.4
55	69, 146, 190	37.4	49, 646, 543	71.8	452, 649	70, 056, 930	37.4	50, 249, 537	71.7
16	72, 813, 102	37.5	52, 278, 288	71.8	464, 386	77, 214, 318	37.5	55, 087, 764	71.3
92	79, 483, 827	41.0	56, 982, 814	71.7	480, 119	84, 467, 404	41.0	60, 150, 807	71.2
44	83, 141, 981	40.5	59, 431, 152	71.5	491, 864	88, 354, 921	40.5	62, 757, 288	71.0
47	82, 289, 469	40.9	59, 652, 295	72.5	498, 243	87, 448, 957	40.9	62, 990, 808	72.0
72	83, 879, 379	39.2	61, 079, 490	72.8	514, 742	89, 138, 554	39.2	64, 497, 877	72.4
49	86, 747, 057	39.8	62, 822, 220	72.4	522, 369	92, 186, 033	39.8	66, 338, 141	72.0
41	86, 279, 372	40.7	62, 133, 828	72.0	526, 717	91, 689, 024	40.7	65, 611, 223	71.6
08	94, 162, 544	42.5	67, 341, 353	71.5	531, 358	100, 066, 465	42.5	71, 110, 193	71.1
35	87, 252, 400	40.8	65, 614, 085	75.2	529, 208	92, 723, 060	40.8	69, 286, 257	74.7
55	92, 886, 009	41.6	72, 809, 503	78.4	537, 147	98, 709, 893	41.6	76, 884, 375	77.9
73	992, 418, 762	40.0	722, 909, 335	72.8	499, 704	1, 047, 372, 107	40.0	758, 059, 542	72.5
80	92, 165, 876	40.6	72, 051, 655	78.2	547, 997	98, 457, 297	40.6	76, 423, 054	77.6
56	89, 084, 158	42.8	70, 058, 694	78.6	556, 077	95, 124, 568	42.8	74, 277, 665	78.1
07	101, 773, 257	42.5	85, 701, 997	84.2	577, 050	108, 674, 059	42.5	90, 863, 018	83.6
77	97, 741, 084	41.4	88, 690, 844	90.7	589, 351	104, 681, 465	41.4	94, 321, 859	90.1
82	95, 432, 971	38.9	87, 383, 306	91.6	595, 354	102, 209, 458	38.9	92, 931, 305	90.9
79	88, 304, 475	39.7	82, 294, 692	93.2	555, 743	94, 574, 783	39.7	87, 519, 613	92.5
08	92, 464, 751	37.7	85, 198, 175	92.1	593, 906	98, 998, 662	37.7	90, 549, 660	91.5
95	95, 426, 108	38.3	87, 010, 922	91.2	603, 106	102, 388, 528	38.3	92, 663, 399	90.5
43	89, 889, 082	37.4	80, 905, 062	90.0	602, 729	96, 447, 513	37.4	86, 160, 875	89.3
04	79, 837, 077	32.9	71, 589, 204	89.7	586, 644	85, 606, 988	32.9	76, 191, 149	89.0
10	64, 547, 378	29.3	58, 367, 440	90.4	551, 158	69, 212, 286	29.3	62, 119, 455	89.9

Open-hearth and Bessemer steel ingots

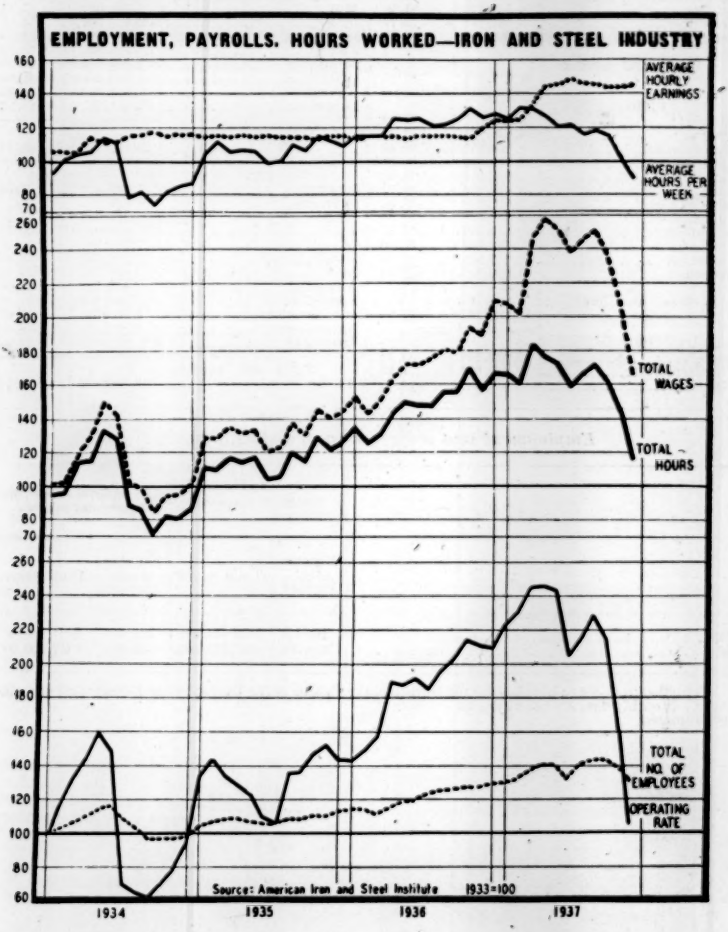
Month and year	Production (gross tons)	Percent of capacity
1929		
September	4,527,887	90.44
October	4,534,326	87.50
November	3,521,111	70.17
December	2,903,012	56.15
Total and average, 1929	54,312,279	89.05
1930		
January	3,778,235	71.42
February	4,035,111	84.47
March	4,254,331	80.42
April	4,109,492	80.21
May	3,982,915	75.29
June	3,418,535	66.73
July	2,922,220	55.36
August	3,060,763	57.86
September	2,840,379	55.57
October	2,692,539	50.90
November	2,212,220	43.18
December	1,979,547	37.50
Total and average, 1930	39,286,287	63.09
1931		
January	2,512,140	44.75
February	2,547,027	50.25
March	3,054,339	54.41
April	2,766,959	50.90
May	2,551,633	45.46
June	2,127,762	39.14
July	1,887,580	33.70
August	1,716,829	30.58
September	1,545,411	28.50
October	1,590,180	28.33
November	1,591,644	29.28
December	1,301,211	23.23
Total and average, 1931	25,192,715	38.13
1932		
January	1,484,991	25.97
February	1,481,253	27.72
March	1,433,337	25.07
April	1,259,629	22.75
May	1,125,243	19.68
June	912,757	16.49
July	806,722	14.14
August	845,730	14.81
September	991,858	17.96
October	1,087,058	19.01
November	1,032,221	18.64
December	861,034	15.09
Total and average, 1932	13,322,833	19.75

Employment and wages—iron and steel industry[1]

Year	Hourly, piecework, or tonnage wage employees		All employees receiving wages and salaries	
	Number of employees	Total wages	Number of employees	Total wages
1929	419,534	$730,974,000	458,347	$841,253,000
1931	278,206	357,645,000	[2] 303,000	[2] 417,000,000

[1] Compiled from data published by the Bureau of the Census of the United States Department of Commerce. Monthly data are not available.
[2] Estimated.

The CHAIRMAN. Mr. Tower, referring to the last statement made, you say that assertions have been made that the advances in prices over the last 2 years have far outrun increased cost of production. Of course, I do not know to what statement you refer. One statement has been made publicly, and published in the press, which has reference to this subject, but it is not the exact statement which you



make. The statement I have in mind is that the wage increases by steel companies were not, by themselves, sufficient to justify the increase in prices. You will agree to that, will you not, that the increased prices were not due solely to wages?

Mr. TOWER. Increased prices are due to increased costs.

The CHAIRMAN. And all the increases in the prices of steel products cannot be attributed solely to the increases in the wage scale in 1936 and 1937. That is your statement, is it not?

Mr. TOWER. No; I do not remember having made that statement.

The CHAIRMAN. I say, is it not your statement that the increases in the prices of steel products are not due solely to the increases in wages, but are due to increases in the cost of materials, and other costs entering into the total cost of the products?

Mr. TOWER. Due to the increase in the aggregate cost of producing the products.

The CHAIRMAN. Are not you willing to say that the increase was not entirely due to the wage increase?

Mr. TOWER. I think that follows from the first.

The CHAIRMAN. I think so. I remember one statement was made that the wage increases, alone could be covered by an increase in the prices of steel of 5 percent. Would you agree to that?

Mr. TOWER. With the wage increase amounting to approximately 31 percent, it is inconceivable to me that a 5-percent increase in prices would offset it.

The CHAIRMAN. What increase in price would have been necessary merely to cover the increase in wages?

Mr. TOWER. I cannot answer that.

The CHAIRMAN. What was the average increase in price?

Mr. TOWER. The increase in the aggregate cost of making the product.

The CHAIRMAN. It has been stated by some gentleman, who was called an expert, that the increase in prices was 21 percent. Is that accurate?

Mr. TOWER. It corresponds approximately with our information. I am not sure whether it is 20 or 21 or 21½ percent, but it is approximately that.

The CHAIRMAN. If it was approximately 21 percent, can you tell us if that increase in cost was more than 5 percent and, if so, what do you say it was?

Mr. TOWER. The increase in what cost was more than 5 percent?

The CHAIRMAN. Can you tell us whether an increase of 5 percent in prices would have covered the increased cost of labor?

Mr. TOWER. I do not know the facts, but my personal opinion is that a 5-percent increase in prices would not cover that 31-percent increase in wages.

The CHAIRMAN. What was the other increased cost, then, besides labor, to justify the increase of 21 percent in prices?

Mr. TOWER. So far as I know the facts, there were increases in practically all other costs.

The CHAIRMAN. Can you illustrate it by naming some of the other increased costs?

Mr. TOWER. All materials.

The CHAIRMAN. All material costs were increased?

Mr. TOWER. All materials were increasing in price.

The CHAIRMAN. Well, I will even ask you this: Was there an increase in taxes?

Mr. TOWER. I am under the impression that there was a very substantial increase in taxes.

The CHAIRMAN. All that I am asking is if you can tell me, and I know that you know more about the factors going to make up costs than I do.

Mr. TOWER. I think that is hardly likely.

The CHAIRMAN. I know in your position as executive secretary of the institute you certainly must know that, or you would not have written this very comprehensive statement. Of course, if you do not know I will not further press the inquiry. You say that it is approximately accurate that there was an increase in price of 21 percent. What was the increase in the factors entering into the production, in order that we may know, or have an idea as to the reasonableness of the statements that have been made? You say that 5 percent is not sufficient to cover labor increases. I would like to know what you would say would be a reasonable estimate, and what you would say the increase in taxes was; and also what you would say was the average increase in the cost of materials. Of course, you said that this increase of 21 percent was based upon increased costs, did you not?

Mr. TOWER. That is correct.

The CHAIRMAN. What is; what you said?

Mr. TOWER. That is correct.

The CHAIRMAN. And you cannot now tell us the increase in these various factors bringing about the increase in prices?

Mr. TOWER. Well, as I have stated in general terms, there were increases in nearly all items of cost, so far as I am informed. There were increases in labor costs. There were increases in material costs, and increases in all the other items of cost going into the cost of manufacturing the products.

The CHAIRMAN. Let us see if we can get at it in another way. What about earnings—first, when were prices increased 21 percent?

Mr. TOWER. There were two increases in prices, I believe.

The CHAIRMAN. In prices?

Mr. TOWER. Yes; there were two increases.

The CHAIRMAN. When?

Mr. TOWER. One in the autumn of 1936 and one in the spring of 1937.

The CHAIRMAN. From the date of the increased prices in the spring of 1937 what was the increase in earnings?

Mr. TOWER. I cannot answer that question.

The CHAIRMAN. Do you know whether there was an increase in earnings after the increase in price?

Mr. TOWER. I think the probability is that the quarterly statements issued by representative companies and the industry would show somewhat larger earnings, quarter by quarter, from the autumn of 1936 on through into the spring of 1937, reflecting largely a substantial increase in the volume of production.

The CHAIRMAN. Of course, production increased?

Mr. TOWER. Very considerably.

The CHAIRMAN. Did you not say—or was it Mr. Fairless—that the earnings in the steel industry for the year 1937 would approximate 6 percent?

Mr. TOWER. My statement here carries an estimate of the earnings for nineteen hundred and—I do not think I have that in my statement. That was in another connection. I think it is probably safe to say that the earnings for 1937 will not run as high as 6 percent.

The CHAIRMAN. Do you know what the earnings were for 1936?

Mr. TOWER. I think the figures reported to us from a group of representative companies showed earnings for 1936 of approximately 4½

percent. That is a figure which I could readily obtain for you and furnish, if you wish to have it.

The CHAIRMAN. Yes. If the figure is not accurate, you can correct your statement. It is the letter of Mr. Fairless that was read a few moments ago that stated that his estimate of the returns for 1937 was about 6 percent. He calls attention to the fact that it is of necessity an estimate, and, of course, all the figures for the last quarter are not now available. You indicated that some of the steel companies were at the beginning of the year running time and a half overtime; they were running overtime on their schedules.

Mr. TOWER. In the event that it was necessary to work over 40 hours a week or more than 8 hours a day, time and a half was paid for overtime?

The CHAIRMAN. When you paid time and a half, that increased your cost, did it not? It cost you more than if you were paying the regular hourly schedule, did it not? I do not have to ask you that. Certainly you can answer that.

Mr. TOWER. That is an operating problem that I cannot answer.

The CHAIRMAN. You do pay more in the wage scale for time and a half, do you not?

Mr. TOWER. Time and a half for overtime may mean paying for 1 hour beyond the 8 hours in a shift.

The CHAIRMAN. Then you pay more for that hour?

Mr. TOWER. We pay more for that hour, but, if I understand the situation, you may actually have a real economy by paying that time and a half rather than having to call out some other men to finish the job which is finished within that overtime interval.

The CHAIRMAN. It may be an economy.

Mr. TOWER. It might be an economy.

The CHAIRMAN. It does not necessarily increase the cost, though?

Mr. TOWER. I would think not.

The CHAIRMAN. Did the large expenditure in new finishing mills result in any decrease in cost?

Mr. TOWER. That is, again, an operating question on which I do not have an exact information; but, speaking purely from generalized knowledge, I would say that over the years the introduction of those more efficient finishing facilities has made it possible to make a higher-grade product than was previously made, and to sell it at no higher price or even at a lesser price than was previously current; and from that I would assume that there must have been some economies in cost of manufacturing that were passed on to the consumers in the form of either a lower price or a better quality.

The CHAIRMAN. What proportion of the cost of the finished product is labor cost?

Mr. TOWER. I cannot answer that. So far as I know, the best information on that subject is in a report from the Bureau of Labor Statistics that was printed in the bulletin of the Bureau of Labor Statistics, I think in May 1935, a report which I believe was compiled by them after very careful study of the question in cooperation with some dozen or more of the principal companies in the industry, and they arrived at a composite result of the man-hours of labor required in producing different representative products at different rates of production.

The CHAIRMAN. Would you think that in a period of business depression that the Government should, during that period, engage in construction projects, extensions, that would furnish employment to men at a time when men are out of employment, and then cease activities when there is a great demand for labor?

Mr. TOWER. Proceeding on the assumption that there is always a certain amount of construction which the Government necessarily must do, if the Government could plan its program of construction so as to have that come in during a period when private construction is at a low ebb, it would be a very helpful policy.

The CHAIRMAN. I think so. Then, if it is wise for the Government, wouldn't it be wise for the steel industry to do the same thing in reference to the proposed expansion to which you refer; wouldn't it be wise for the steel industry at this time, when there is a depression and so many men unemployed, to extend your plant improvements? Good policy for Government is good policy for you, is it not?

Mr. TOWER. There is an element of human nature that enters in there.

The CHAIRMAN. What is that?

Mr. TOWER. That one has to take account of, and that is, as I see the the problem of the business executive, he is more or less the custodian of considerable responsibilities, and in time of slackening business or low rate of business, unless he is endowed with clairvoyance which permits him to see the end of that period of low business or slack business, one of his principal concerns is to conserve what he has in order to be sure he comes through with a whole skin.

The CHAIRMAN. If that was adopted as a policy, it would result in plant improvement and expansion only when orders were coming in, or there was a demand for labor.

Mr. TOWER. That seems to have been painfully true in a great many industries at different times, as I recall the record.

The CHAIRMAN. In planning, you look back over the history of the corporation. For instance, Mr. Fairless states a period of 10 years, and the average earnings over the 10 years, with its ups and downs. Wouldn't it have been wise to follow that policy, and when there is a recession in business, then proceed to do the expansion and construction necessary, knowing that when they did it, they helped increase the purchasing power?

Mr. TOWER. I don't think I can agree with you without any qualification, Senator Byrnes, because if a steel company had undertaken in 1930 or 1931 a program of expensive expansion or construction, involving the tying up of large sums of cash, such as are always involved in any major operation in expansion or construction in the steel industry, I think they would have been very sorry before the end of 1933.

The CHAIRMAN. You think if they had really expanded at a time when cost of material was lower and labor costs were lower, they would have been sorry in 1935?

Mr. TOWER. He might not have lived to be sorry in 1935.

The CHAIRMAN. What was the surplus of United States Steel in 1933, for instance?

Mr. TOWER. I haven't the slightest idea.

The CHAIRMAN. You haven't any idea?

Mr. TOWER. No.

The CHAIRMAN. There wasn't any danger of steel being so extremely sorry by reason of doing a little expansion work? I don't mean to spend every dollar it has. Nobody would do that. You tell us it is now proposed to spend in the next 6 months $40,000,000.

Mr. TOWER. No; that is Mr. Fairless' statement.

The CHAIRMAN. Possibly I am confusing your statements. He is a very capable executive in his particular line, is he not?

Mr. TOWER. I would say he has a very good reputation.

The CHAIRMAN. I know he would appreciate that endorsement. He states that they have authorized the expenditure in 4 years, from 1933 to 1937, of approximately $253,000,000 in plant and modernization, and at the end of 1937 he has an unexpended balance in excess of $80,000,000 for continuance of this program, and my only purpose in asking you the question is if it would not be wise and helpful to provide for that and proceed with your modernization program and do as he did.

Mr. TOWER. It is always wise to proceed with a modernization program when you have cash in hand, and prospects for being able to see that improved facilities will justify the policy.

The CHAIRMAN. As to your prospects; your three customers are the railroads first—that is, they were in the years gone by, but now the automobile industry, railroads, and construction.

Mr. TOWER. But less than half, in the total to those three industries.

The CHAIRMAN. The granting of an increase of 15 percent in railroad rates to railroads, would that, in your opinion, enable the railroads to engage in replacements and modernization and thereby help the steel industry?

Mr. TOWER. If such increase in rates were coupled with enough traffic really to improve their financial positions, I believe the railroads would feel justified in purchasing materials for road bed and also for rolling stock and equipment.

The CHAIRMAN. Your statement would indicate that you have doubt about whether they would do it; is that right?

Mr. TOWER. Well, I think an increase in rates of itself does not put purchasing power into the treasuries of the railroads.

The CHAIRMAN. Well, the railroad officials who are present gave us the impression that the granting of that would enable them to proceed with improvements. Do you think they would be wrong to do that?

Mr. TOWER. From what I hear about the conditions of some of the railroads I think it would be very wise for them to improve their rolling stock and equipment.

The CHAIRMAN. They have been urging that as a reason for the granting of the increase.

Mr. TOWER. I believe it is a sound reason.

The CHAIRMAN. But you feel you first have to be sure of what is going to result in the way of decreasing traffic, before you could hazard a guess as to that. How about the automobile industry? Do you think the conferences with the automobile executives with reference to installment buyind and other things would be of any help to your industry, any hope?

Mr. TOWER. You are getting into a field that is too far from home for me to venture an opinion.

The CHAIRMAN. But wouldn't anything that would help the automobile industry help steel?

Mr. TOWER. Anything that helped the automobile industry would help steel.

The CHAIRMAN. What would you suggest that could help it?

Mr. TOWER. To help the automotive industry?

The CHAIRMAN. Yes.

Mr. TOWER. I am not an authority on the automotive industry.

The CHAIRMAN. Could you suggest anything that would help the steel industry?

Mr. TOWER. Help the steel industry?

The CHAIRMAN. That is right. Have you any suggestions at all that would help the steel industry?

Mr. TOWER. It would help the steel industry very considerably if some of the people who use steel would place some orders.

The CHAIRMAN. I thought that would be the answer, and I thought you would say if people would buy the automobiles they, in turn, would have to buy steel. That would be as far as you would commit yourself on it?

Mr. TOWER. Well, it seems to me a safe statement.

The CHAIRMAN. I think so.

Senator MURRAY. Do you believe that the increased price for steel had any serious effect in restricting the expansion and improvements on the railroads?

Mr. TOWER. I do not.

The CHAIRMAN. It is claimed by economists, however, who have made a study of it, that the rapid increase in prices made it impossible for the railroads to carry out their planned program of expansion and improvements. You don't agree with that?

Mr. TOWER. No; I can't agree with it.

Senator MURRAY. You do concede, however, that the steel companies advanced their prices very materially in 1937?

Mr. TOWER. There was one increase in price in 1937, and one in the autumn of 1936.

Senator MURRAY. The National City Bank makes a study of the earnings of corporations, and I understand they issued some figures showing that during 1937, 216 of the large corporations of the country increased their profits very extensively in the first 9 month of 1937, over the corresponding period in 1936. Do you know anything about that?

Mr. TOWER. I don't remember the exact figures reported to us for 1936 for representative steel companies in respect to earnings, but offhand I would say it was somewhere in the vicinity of $170,000,000 for the year. I don't know what the 9 months' figure would be.

Senator MURRAY. The National City Bank's statement shows that these 216 corporations increased their earnings from 10.4 percent to 13 percent during the first 9 months of 1937.

Mr. TOWER. That is heavily weighted with companies outside the steel industry.

Senator MURRAY. What is that?

Mr. TOWER. It must be heavily weighted with corporations outside the steel industry, because companies in the steel industry do not show 10 percent on their investment.

Senator MURRAY. If that is true, don't you think it was an unwise policy on the part of the large corporations of the country to have increased their prices during that period when we were seeking to recover in this country? Don't you think it would have been wiser for them to have attempted to hold down their prices and keep that money in circulation, rather than skim off the profits that they were able to make as a result of the enormous Government spending that was going on?

Mr. TOWER. I wouldn't undertake to answer for companies in other industries, but so far as companies in the steel industry are concerned, it seems to me that in order to pay out money money must be taken in, and if costs are increased, prices have to be increased in order to cover those costs.

Senator MURRAY. The steel companies made no effort to reduce their price upon the falling off of business, to reduce its price when business fell off. They maintained prices regardless of the condition of business.

Mr. TOWER. Prices have not been reduced since business began to decline in the autumn 1937.

Senator MURRAY. They don't seem to pay much attention to the law of supply and demand in this respect, do they?

Mr. TOWER. The law of supply and demand, as I understand it, operates in variable ways in many different kinds of industries. There are few cases which, to my knowledge, operate in the Simonpure fashion in which the classical economist would have it operate.

Senator MURRAY. You don't think the steel companies would be justified in any reduction in price when they find, for instance, the railroads discontinuing their program as a result of the excessive costs?

Mr. TOWER. I am not aware of the fact that the railroads discontinued purchasing steel because of any dissatisfaction with the price of steel products, but were influenced by other circumstances.

I might add there an observation which has impressed itself on me over the years; that rarely does one ever hear a criticism of steel prices from purchasers of steel products. The criticisms of steel prices are in a great majority of instances voluntary criticisms from people outside either the production of steel products or those industries which consume steel.

Senator MURRAY. I understand you expressed approval of the Government program of public works during periods of depression.

Mr. TOWER. I think my statement was that with reference to necessary construction it would seem to be very helpful if the Government so could plan its program as to have Government construction take place when private construction falls off.

Senator MURRAY. Don't you think the same policy should apply to the big industrial corporations of the country, if they work together and put on their programs of expansion and improvements during periods of depression? Don't you think it would be of advantage?

Mr. TOWER. That is really a question that every corporation executive would have to answer himself. Even if I were endowed with dictatorial powers, I don't think I would always feel justified in issuing orders to corporation executives that they should go forward

with expensive construction programs when the future might not be entirely clear.

Senator MURRAY. But if there was some coordination among the great corporations of the country, and when they discovered a situation developing such as last fall, if they all went in together and started improvements of that kind, wouldn't that have a good balancing effect on the country, rather than to have the newspapers spreading accounts of the great unemployment that is coming about?

Mr. TOWER. Well, if you want me to speak quite frankly, from my own personal reaction to a suggestion of that sort, I would be inclined to think that the executives from different industries would hesitate to sit down and plan as you suggest in a way which would, perhaps, have the effect of resembling an agreement, for fear that they might be charged with having agreed on other things than the matter of construction programs.

Senator MURRAY. You are very timid about violating the antitrust law?

Mr. TOWER. I think that is quite true.

Senator MURRAY. What is your corporation doing now with reference to attempting to stabilize the employment situation?

Mr. TOWER. I think you misunderstand what the character of our organization is. We are merely an industry association.

Senator MURRAY. I mean, what are the steel companies doing in that regard?

Mr. TOWER. So far as I know the situation, the majority of prominent companies in the industry are doing their best to spread employment, rather than to terminate employment.

Senator MURRAY. And would you favor the resumption of the P. W. A. during the present time?

Mr. TOWER. That water is far too deep for me to venture into.

Senator MURRAY. You have no suggestions to offer along that line?

Mr. TOWER. No.

The CHAIRMAN. That is all.

STATEMENT OF THOMAS S. HOLDEN, IN CHARGE OF STATISTICS AND RESEARCH FOR F. W. DODGE & CO.

The CHAIRMAN. Mr. Holden, you are vice president of F. W. Dodge Corporation?

Mr. HOLDEN. Yes.

The CHAIRMAN. Have you, in response to the invitation of the committee, prepared a statement?

Mr. HOLDEN. I have, sir.

The CHAIRMAN. I would be glad to have you first read it.

Mr. HOLDEN. I may say that, on the suggestion of your counsel as to what this committee might like to hear, I have made a fairly comprehensive statement of the factors concerning the construction industry at the present time. I have tried to make it as succinct as possible.

My company, the F. W. Dodge Corporation, has been since 1892 in the business of gathering construction industry facts and supplying them to the various business and professional groups in the industry in the form of publications and information services. The basis of our information is the news of construction projects gathered daily

by a field staff making regular contacts with architects, engineers, contractors, operative builders, material-supply people, and manufacturers throughout the 37 States east of the Rocky Mountains.

As an executive of the Dodge organization it is my duty to appraise the trends of construction activity as well as I am able and to represent the company in its relations with various trade and professional organizations. Among my present activities is the chairmanship of the special housing committee of the Merchants' Association of New York, an organization of some 4,000 businessmen.

To regard the mild recession of construction activity that took place in the latter part of 1937 as a new depression seems to me almost absurd. A temporary check, such as I believe the current recession to be, usually occurs when the country is halfway up in the recovery cycle. I recall an almost parallel sequence of events in the year 1923.

Two things happened last year to check for a time the healthy but moderate construction revival that was taking place. On the quite erroneous assumption that this recovery could be inflated into a speculative housing boom, some material prices and many building-labor wage scales were advanced somewhat rapidly, and the buyers went on strike; it usually takes only a few months to correct such a condition sufficiently for recovery to be resumed. The other factor in the decline was the planned tapering off of public works. In the 12 months of 1937, while publicly financed construction in the 37 Eastern States attained a dollar volume 14 percent less than the total amount for 1936, privately financed construction rolled up a dollar total 31 percent greater than that of the preceding year. In each successive month of 1937 through September the dollar volume of privately financed construction was well ahead of the corresponding month of 1936; the dollar volume of October 1937 was just equal to that of October 1936; and only in November and December did private construction contracts run behind the corresponding months of the preceding year. In short, private construction activity began to lag behind the preceding year after the country got hysterical about construction and not before.

The net result of last year's divergent trends in public and in private construction was a 9-percent increase in dollar volume of all construction over the preceding year; and last year was the fourth successive year of increased volume. According to functional classifications of structures the 1937 record was as follows: Commercial building, up 19 percent from 1936; factory building, up 58 percent; residential building, up 13 percent; public-utilities construction, up 35 percent; public-works construction, heavy engineering structures only, down 19 percent.

The almost hysterical alarm that greeted the mild recession of private construction activity was, to my mind, out of all proportion to the realities of the situation. I am told by able financial observers that it even had a great deal to do with the break in stock-market prices. The truth of the matter is that a mythical bubble burst; a mirage was dissipated which had been made up of false expectations of a speculative housing boom.

These expectations were based in part on many published estimates of supposed housing shortages, and of housing needs ranging all the way from 500,000 new family units a year to 750,000 or even

1,000,000 family units a year for 10 years, indicating production far in excess of anything we have recently had. It was not until last December that an estimate was published that showed a realistic appraisal of this so-called housing shortage. The National Housing Committee, a privately organized group, made a housing market survey, and reported that while there was a statistical shortage of 2,000,000 dwelling units, this shortage is entirely in housing accommodations for families that can afford to pay up to, but not beyond, $30 a month as rent, or up to approximately $3,000 for purchasing a home. In short, the potential market for housing is principally among families who have usually not had new houses but have customarily used second-, third-, and fourth-hand housing; a Chevrolet market was supposed to purchase Buick-grade housing at rising prices.

Not only was there a misconception of the nature of the potential market, there was also a false expectation that speculative housing booms of the past would be repeated.

To understand just why the speculative real-estate and housing booms we have been accustomed to are extremely unlikely to occur again on any large scale, we must review the economical expansion factors that operated in the past to produce speculative real-estate booms. They are the factors that have given this country a speed of economic growth and a prosperity almost unparalled in the history of any other nation. The most important expansion factors have been eight in number:

1. Territorial expansion.
2. Railroads.
3. Industrialization: The transformation of a predominantly agricultural nation into an industrial nation.
4. Automobiles.
5. Foreign borrowing: Our own capital accumulations, up to the World War, did not grow fast enough to finance our rapid economic growth, and much of our expansion was financed on borrowed capital; high interest rates did not seem to matter. By the end of the World War we had paid off our debts and become a creditor nation.
6. Immigration: We opened the doors to 38,000,000 immigrants between 1820 and 1930, while we needed them for constructing our 254,000 miles of railroad and for increasing our industrial production from $1,000,000,000 in 1849 to $70,000,000,000 in 1929. When we had completed the job of transforming America into an industrial nation, we did not need immigrants any more and by an act of Congress we closed the doors.
7. Population growth: There were 4,000,000 people in the United States in 1790; 129,000,000 in 1937. The largest population increase we ever had was between 1920 and 1930, when 17,000,000 people were added. In the current decade, we will add 9,000,000.
8. City growth: Growth of urban communities has been a tremendous factor in development of real estate and in creating a demand for many kinds of building. Urban population had its greatest growth in the 1920's, with an average increment of 1,400,000 persons a year. Since 1930, according to estimates of the National Resources Committee, urban population has been increasing at the rate of only 560,000 persons a year.

Each of those eight expansion factors had a beginning, a growth to maturity, and then a reduced acceleration. What we have witnessed in the past few years has been no ordinary depression but the coming of age of a great nation, an important turning point in our economic history. Each of those eight expansion factors had a direct bearing on real-estate speculation and speculative building. The phenomena of adolescent growth, of which speculative exploitation of real estate has been one of the most outstanding, are not likely to be repeated in our years of maturity. This interpretation of recent trends in this country's growth history is not a fanciful one, I assure you. Our experience in this respect parallels that of other advanced industrial nations.

Each of the eight expansion factors I have enumerated has eternally year after year created new construction needs. It is only in the satisfying of new needs and in serving new people that the construction industry can really flourish, employ its full quota of workers, and make its contribution to expanding prosperity. Without new needs, the industry is employed only on replacements and repairs, and there is no progress. Structures are not consumed like food and clothing, but they are produced for service over a long period of years; the industry is eternally looking for new customers.

There are today many new needs for construction. In our eras of territorial expansion, railroad building, and industrialization we produced, more as a byproduct than as a principal objective, a measure of civilization and some real advances in living standards, but not enough. Some other industrial nations have gone further than we have in industrial, domestic, and rural electrification. A number of others have done much more for better housing than we have. In scanning the reports of President Hoover's Committee on Recent Social Trends and of President Roosevelt's National Resources Committee, one is amazed at the growth of leisure-time activities American people have engaged in; at the number of parks, playgrounds, municipal golf courses, bathing beaches, community theaters, and schools for children, adolescents, and adults that have been and are being provided. I have seen an itemized estimate of the expenditures of the American people in 1928 for entertainment, recreation, sports, and other leisure-time activities, which shows the astounding total of 21 billion dollars; many of these activities have required new types of buildings. Practically every one informed on housing needs recognizes that large-scale planned-community developments, whether for rent or for sale, are the kinds of projects needed today; they necessarily involve construction of various community facilities. The needs for better housing and more civilized communities are pressing, if we can meet them in a practical way.

Earlier in this statement I pointed out that the housing needs of the country are greatest among families whose incomes have only commanded the facilities of old buildings. We face the probability of ever-increasing overcrowding of low-income families unless the new needs are adequately met. Subsidy at the expense of the taxpayers, many of whom cannot afford new housing for themselves, can only take care of a part of the need. To meet the need fully, we must have as one prerequisite all possible expansion of industry in order to provide increased incomes and increased purchasing power for homes.

Many manufacturing industries today have expansion programs that are being held in abeyance pending a better understanding of tax policies of the Government. The largest potential expansion program I know of is that of the electric-power industry. I am not competent to pass on the merits of the matters today in dispute between the privately owned utilities and the Federal administration, but I am convinced that the country needs more and cheaper electricity and, above all else, it needs an industrial expansion program. As I stated earlier, factory and public utility construction both increased very considerably in 1937. Further increases in 1938 would not only give us a gratifying volume of industrial construction and increased employment, but also provide a number of families with the will and the financial capacity to rent or purchase new homes.

Most of the manufacturing industries of this country that have grown largest and most prosperous today have continuously sought to reduce their production and marketing costs and to give constantly better values for less money. This is the principal avenue for their expansion, now that intensive cultivation of our national economy is the order of the day. So another means, and an essential one, for increasing the market for houses and meeting the present needs of the people, is to get the cost of housing down.

Reducing housing costs is not easy; the ultimate cost of housing involves many factors—materials and equipment, labor, assembly processes, land and community development, and financing—as well as costs of maintenance and operation of the property. Yet in spite of similar obstacles, other countries have succeeded in modernizing their home-building procedure, reducing housing costs, and generally raising housing standards. One country whose experience seems to be most illuminating for us is Great Britain.

Following the finale of its speculative jerry-building era, England had an extended period of slack building, during which overcrowding of its working-class population increased to a point far beyond anything we have yet seen in this country. Following the World War the housing shortage was acute, and building costs were very high, including the costs of materials, labor, and money. Private enterprise could not supply housing to the people who needed it at prices they could pay. A Government program of subsidized housing was started.

From 1920 to 1928, when subsidized housing dominated the British program, the construction costs of four- and five-room houses were reduced 60 percent. This reduction results in part from post-war deflation of prices, wages, and interest rates, but it also resulted from the introduction of large-scale housing production. The Central Government did not build houses but made loans and grants to municipalities. Nearly all municipal housing was constructed under contract by private builders, thus opening up to them the field of large-scale public-housing operations and giving them the opportunity to develop a technique of large-scale production.

By 1928 the cost of subsidy was very high and the cost of housing was low. The time was ripe for private industry, with its newly acquired proficiency, to take over the program, which it did. From 1920 to 1928, 1,104,000 houses were built in Great Britain, 65 percent of which had some kind of subsidy. From 1928 to 1932, the period of gradual withdrawal of subsidies, 752,000 houses were built, of which

45 percent were subsidized. From 1932 to 1936, when subsidy was confined to municipal housing built for relief of overcrowding, 1,113,000 homes were built, with only 18 percent of them subsidized. The large British private-enterprise home-building companies are modern industrial organizations, with a known market, a quality product priced right, and an ideal system of financing purchases. Home-building companies build and sell 1,000 or 2,000 houses a year in planned-community developments; some of the companies have their stocks listed on the exchanges. When the British people faced a national need of major magnitude, they looked the facts squarely in the face; they got to work; they created an industry to do the job that needed to be done.

There is evidence today of the beginning of modern industrial organization and technique for producing housing in the United States. There has been in this country for a long time such a thing as investment housing, built to earn an income return by renting recent dwelling accommodations to families of moderate means. Projects of this kind have not been numerous, but their records of steady earnings and dividends through good times and bad have been quite remarkable. Time does not permit full description of these projects; doubtless the Senators have heard them explained in the discussions of current legislation to amend the National Housing Act.

Rental housing for middle-income families offers at this moment the best opportunity that we have for large-scale housing developments. The rental market is the predominant housing market in our metropolitan centers, and this kind of investment project can get today a much better break in financing at moderate rates than individual home purchases can get. Our situation in this respect is very different from that of England, where Mr. J. W. Laing, whose company has built and sold at a reasonable profit 9,000 individual homes in the past 5 years, can sell his $3,000 house for $200 down and $5 a week; if this easy financing did not give him a mass market, he could not produce houses in sufficient quantity to get his costs down. He can not only make economies by quantity purchases but with his combined general-contracting business and his home-building business he has kept an organization of 3,000 people steadily at work for 5 years. He stated to me that he was able in his first year of home-building operations to cut his labor costs one-third without reducing the hourly rates of wages, which rates, however, are generally lower than our own. The potential home-ownership market in England has been much greater than in the United States, since only 25 percent of British families owned their own homes in 1930 compared with nearly 50 percent in this country.

Rental housing is not a universal panacea, but it does seem to be the sector of our housing field where the modern industrial type of home-building organization is making a real start. In time there will also be a place for large-scale community developments of houses for sale. Nor should large-scale operations necessarily supplant customary procedures in the building field. If they develop a hitherto untouched market, effect general reductions in the cost of building and add to the prosperity of the country, they will tend to increase the market for custom-tailored buildings in the higher-price ranges.

In consequence of these considerations, housing offers another potential expansion program that can gradually reduce unemployment and increase prosperity in this country. Expansion programs of the past, such as I have enumerated to you, practically all received stimulus and encouragement from the Federal Government, not in the form of elaborate blue prints charting the whole course of our expanding economy, but in the form of broad long-range policies. I have in mind such things as the Louisiana Purchase, the westward extension of our boundaries, immigration laws, protective tariffs, subsidies to railroads, Federal aid to highways, which greatly helped the expansion of the automotive industry, the creation during the 1860's of the national-banking system, and later the Federal Reserve System.

Among the many problems involved in reducing the costs of building, there is one factor the Federal Government can deal with more effectively than any other existing agency can—the cost of financing. Government has done exceedingly well so far in setting up the Federal Home Loan Bank system, the Home Owners' Loan Corporation, the Federal Housing Administration, the United States Housing Authority, and other financial agencies. But it has not yet finished this job that has been so well begun. It has not yet put these agencies together into a well-coordinated system and worked out the comprehensive national plan for long-term credits that will reduce our interest rates low enough to provide the mass market which is essential for construction industry progress and for raising the housing standards of the American people. It has been stated that, over the years required to amortize a housing loan, a 1-percent reduction in the interest rate is equivalent to a 10-percent reduction in the cost of the house.

I am convinced that low rates for electric power and low rates for long-term money will do more toward realization of enlarged national income and the more abundant life than any other fundamental things I can name to you today; assuming, of course, that private productive industry will be encouraged to go ahead.

As I see it, there is no crisis at this time in the construction industry, no emergency in the housing program. The real problems are those of adjustment of a long-term nature to major changes in the forces that make for economic expansion. Emergency measures are at times necessary; they are usually expensive, and usually do not of themselves solve fundamental problems. I think the reason why we seem to have recurring emergencies in employment is that we have not clearly distinguished between such measures as may promote economic expansion and those that merely make for temporary alleviations and improvements.

As for this current year, I do not anticipate any very considerable gains in construction volume. On November 1, 1937, F. W. Dodge Corporation published construction estimates for 1938, indicating a probable decline of 10 percent in dollar volume of nonresidential building volume this year, a probable increase of 9 percent in dollar volume of residential building and a probable decline of 10 percent in dollar volume of heavy engineering of the public works and utilities classes. If these estimates are borne out in actuality, the total dollar volume of all construction will be somewhat less than the total volume for 1937.

Now, these estimates are only guesses. They presuppose continued low volumes of new contracts for several months and an upward turn somewhere around the middle of the year. Returning business and investment confidence, based on better understanding between Government and private enterprise, could bring about earlier resumption of factory and public-utilities construction than was assumed in the Dodge estimates.

The recently awakened interest in large-scale rental housing is generating many plans which may get into actual construction later in the year. I am told that some home-financing institutions are ready to offer 90-percent mortgages on small homes, even though general acceptance of this type of financing is apt to be slow. I shall be very happy if our previously published estimates prove to have been too conservative, but I am still of the opinion that a new home-building industry and an economic expansion program are not created in a few weeks. I expect no miracles this year, but I do anticipate much progress in realistic appraisal of our situation and in practical preparation for sound economic growth hereafter; and economic growth inevitably means more construction.

The CHAIRMAN. Mr. Holden, you have answered in this prepared statement the questions I have asked you. Now let me ask this: What is the proportion of the labor and materials in the cost of a house?

Mr. HOLDEN. Of course, it varies very much, because we have no standard building. Roughly, labor and material would average between 40 and 45 percent each, and about 10 to 15 percent for overhead and profit. That is a very rough generalization.

The CHAIRMAN. The statement you made about the financing cost—may I ask a question there? I wonder if the cost of financing is the all-important factor in the determination of an individual to build a home, such as you refer to in the latter part of your statement?

Mr. HOLDEN. I don't think that any one is the all-important factor, Senator. I think it is the one factor that can be most easily attacked first in a progressive reduction of cost, ultimately including all the factors.

The CHAIRMAN. And you think it would offer an inducement to a prospective home owner to embark upon it now?

Mr. HOLDEN. Yes.

The CHAIRMAN. With the statement made this morning about steel by Mr. Fairless, you don't anticipate any great reduction in the cost of steel, and I suppose that is true of lumber, do you?

Mr. HOLDEN. I don't think we are going to have much change in the price level.

The CHAIRMAN. Lumber prices have been down.

Mr. HOLDEN. They were up, and they have been down recently. I was told just before I left New York the other day that certain materials have been marked up.

The CHAIRMAN. What class of materials?

Mr. HOLDEN. I think it was told to me that common brick was marked up in that market. I didn't investigate to verify that statement.

The CHAIRMAN. Has brick declined in price during the last 6 months?

Mr. HOLDEN. Some; and it is only being marked up now——

The CHAIRMAN. It is being marked up part of the way to the previous price, then?

Mr. HOLDEN. Yes.

The CHAIRMAN. But as to lumber and brick and steel, if there is not a material reduction there, there can be no reason or justification for believing there would be any great decrease in the cost of a $3,000 to $5,000 home such as you are referring to?

Mr. HOLDEN. What I have in mind when I speak of reducing those costs is this; as houses are produced today, the man who puts the house together has very little control of the cost factors. He does them a few at a time. I have seen moving pictures of houses in England being done 400 at a time, with steam shovels going through and doing all the cellars, and a trench digger laying the pipe lines. That is the kind of cost reduction I have in mind, not specific reductions in individual material prices.

The CHAIRMAN. That quantity production, of course, affords a very interesting field. Do you know of any plan whereby you could guarantee to the skilled laborer, such as the plasterer and bricklayer and skilled mechanics, an annual wage that would permit him to see his way clear to accepting a reduction in wage?

Mr. HOLDEN. I don't know of anything in the industry at the present time. I know of certain companies which have regular repair departments, and therefore can give continuous employment, and who have made arrangements with labor that are entirely satisfactory to them. But in the ordinary process of producing new buildings we have not had that continuous operation which permits that kind of an offer to labor.

The CHAIRMAN. In your own corporation, about what employment during a year can you give to the average skilled mechanic?

Mr. HOLDEN. We are publishers and newsgatherers. We do not employ any building labor.

The CHAIRMAN. Well, in the industry generally, how many months employment can they give, do you know?

Mr. HOLDEN. Of course, it varies from year to year. I think a study made several years ago before the big depression started showed that in Philadelphia the average was about 180 days for the building trades. That is in a fair year, not a peak year or a depression year.

The CHAIRMAN. Do you agree that is one of the important things to be determined before you can look for any decrease in cost of construction?

Mr. HOLDEN. I am not quite sure of the order in which the problem has to be attacked. I am not sure we can do much in the way of agreeing to give continuous employment until we have continuous building operations.

I feel that the continuous flow of capital into large operations that permits construction activity under one organization 12 months in a year, is essential before you can actually say to the workers that they may have a chance at regular employment. The question, if you can turn it the other way around——

The CHAIRMAN (interposing). If a man has only 180 days' work, his annual income upon which he must depend for a living is not as great as we ordinarily think of——

Mr. HOLDEN (interposing). That is right. That is well recognized in the industry.

The CHAIRMAN (continuing). When you think of the hourly wage. It does seem to me a solution of that matter would depend upon some plan whereby contractors engaged in large operations such as you have outlined could afford to guarantee an annual wage.

Mr. HOLDEN. I can say that I know a great many of the leading contractors in New York are sitting together now conferring to try to see if a practical plan along such lines can be worked out.

The matter you speak of, irregularity of employment, is one of the most vexatious problems of the industry, and it is so recognized by everybody—employers and employees alike.

The CHAIRMAN. Have those employers discussed the matter with the employees?

Mr. HOLDEN. I don't know. I am not a party to the discussions. I know that discussions have been going on.

The CHAIRMAN. What have they been able to do in Great Britain with relation to that? Don't they offer a guaranty?

Mr. HOLDEN. I will speak for the one large builder whom I know and whom I have talked to, Mr. J. W. Laing, who was in this country several months ago.

His company was started by his grandfather in 1848 as general contractors, doing the same kind of work that the large contracting organizations in New York now do. Then, having taken one contract to do a housing project, he did not feel satisfied with the quality of the work, although it met specifications and was good enough, according to the terms of his contract. He decided he would try to go into this as a regular business, because he thought some good builder in England should show what could be done to give quality housing to the people who had only moderate amounts to spend. So with his general contracting business—he is now building aerodromes and hospitals around London—this company began to build what they call "estates," or community developments, with large numbers of houses. He made the statement that I quoted in my written statement here—that he found he did have a ready market. He could lay out at the beginning of the year so many houses and keep approximately to that schedule, and that he has kept this organization of 3,000 people busy.

Now, he can shift these people from one of his large contract jobs—suppose his small houses go slowly; he can shift some of those people over onto one of his hospital jobs, and back and forth, I think such a thing is quite unknown in this country, a building organization that kept that many people constantly at work for a period of 5 years. Yet I don't say that cannot ultimately be done in this country, as a matter of industrial progress, if they can do it over there.

The CHAIRMAN. His statement is that he has been able to reduce costs?

Mr. HOLDEN. Reduce the actual labor cost naturally, as in any organization, the least competent people are weeded out, and the better ones are encouraged. They get the morale and the spirit of team work. They are thinking of doing well on this job, instead of worrying about how many weeks they are going to be out of employment before they get the next job. There they have a management technique and a morale which any good integrated business organ-

ization has, and which is very difficult to get in our system of sporadic employment on a contract basis.

Senator FRAZIER. If he kept his organization together all the time, going at top speed, the mere element of efficiency necessarily reduced costs?

Mr. HOLDEN. Yes. That is where the reduction came in. You have an efficient team, rather than what we have here.

Senator FRAZIER. Don't you think the methods that are used in Great Britain have a great deal to do with the success of these housing projects?

Mr. HOLDEN. In many ways; yes. The simple way to say it is that there they have a simpler financing system, and Mr. Laing and other people sell to home-purchasers on amortized mortgages on which the interest rate is 4½ percent. They don't have to make a surcharge for mortgage insurance, because the high percentage loan is taken care of by the guaranty of the builder. The builder being a man of substance and reputation and capital, can put a small deposit with a financial institution as his guaranty that he will take back a house that has been sold. Where there is a default in payment he will take the house back, if that default occurs before the mortgage is amortized down to 75 percent. It is the same as if Mr. Ford, in this country, would make such a guaranty on the sale of cars.

Then, after this builder who has put up this moderate guarantee, if he has a default, he can repossess the house in about 6 weeks at a foreclosure cost of 40 to 50 dollars.

Now, we have 48 States with different laws which make that foreclosure procedure much longer and much more expensive, and that is one reason why, to cover that risk, our interest rates are much higher. We cannot expect to change immediately to the British system of financing and low-interest rates.

They have many other features in their financing, and other procedures, that are much simpler than our very complicated system here. Our laws covering real estate and land tenure and land transfers and foreclosures have grown to be quite complicated in this country.

The CHAIRMAN. It would take a year and a half in some States it has been said before the committee.

Mr. HOLDEN. Yes. I am told——

The CHAIRMAN. All the way down to Massachusetts, where——

Mr. HOLDEN. And you have not only the actual cost of the foreclosure, but in 18 months your property may deteriorate so that you have to spend $500 on it before you make a resale.

The CHAIRMAN. Could the contractor borrow money if he had a guaranty? We haven't many contractors in the position of Mr. Laing.

Mr. HOLDEN. You ask me if the British contractor could?

The CHAIRMAN. I say we haven't many contractors in this country in the position of Mr. Laing.

Mr. HOLDEN. No; the home-building industry has not yet come to be a business similar to our other important businesses in this country, where there is adequate capital and large organization with continuous operations.

It seems to me that that is the coming thing, in spite of the many problems and obstacles that we have. I think we will overcome them in time.

Senator FRAZIER. Is there any difference in the amount of profit made by the builders over in Great Britain and the amount of profit that they extract here from the buyers of new homes?

Mr. HOLDEN. Mr. Laing—I speak for him, as I say, because I know him personally, and he has given me intimate details of his own business; he adopted a policy in the beginning that he would make 10 percent and no more on all houses sold.

Senator FRAZIER. How does that compare with the situation in this country?

Mr. HOLDEN. I don't think you could generalize in this country. I think in very good times, when houses move easily, they may make more profit than that. Then, if the operators get caught in a bad market and have to carry some houses already built for quite awhile before they sell them, they may lose their shirts. It is not a regularized business, and being speculative, there are times when there are very good profits and there are times when there are corresponding losses.

Senator FRAZIER. But their lower rates of interest over there and their easier terms of payment tend to bring about lower prices, and that has a great deal to do with home building over there, rather than the system we have here.

Mr. HOLDEN. Yes, sir. I am told the differences in some cost factors are not as great as we in this country usually assume them to be. Their wage scales are rather lower, I think, than ours, their hourly wage rates. Many materials are not. I think their brick costs about what it does in most places here. Brick around London is about the same as around New York. For lumber they have to pay more. They have to import their lumber. Of course, that is a large factor in most small-house building, and while in some respects material prices are a little lower than ours, in others they are not. I think probably the difference in cost between the two is due more to the advanced state of their industry rather than to individual cost items.

Senator MURRAY. You think the cost of financing, then, is a very important factor in developing a housing program in this country?

Mr. HOLDEN. Very much so.

Mr. MURRAY. How does the present new bill, just being passed, the Housing Act, compare with the rate that would be chargeable in England?

Mr. HOLDEN. I think these two amendments are a definite step in advance. In England, as I say, on the small house it is 4½ percent, with almost no extra charges to the purchaser of a small house. That is still quite a bit under our rates.

I expect, on a large-scale rental operation, such as comprehended in this act, I suspect they could probably get money at 3½ percent in England. That is only a guess.

I know the Central Governments lends money to the municipalities for their municipal housing at a quite low rate, and the municipalities have the authority to lend to private individuals at 3⅞ percent.

It is interesting to note that individuals home purchasers to date have not taken advantage of that, because the lending institutions offer them such a fine service in the way of handling their title search expeditiously, and reducing those costs and so on, that they would rather deal with those institutions than to make the apparent saving of borrowing directly from the municipal agency. So there is a

spread of five-eighths of 1 percent that the private lending institution gets, and makes up for to the borrower by service, which apparently is very much appreciated.

Senator MURRAY. You have no fear about the conditions prevailing in this country at this time; you feel, don't you, that all of the conditions exist to justify a rapid upturn in building?

Mr. HOLDEN. I wouldn't say rapid. I would say healthy upturn.

Senator CLARK. What?

Mr. HOLDEN. A healthy upturn.

Senator MURRAY. You didn't get excited about the propaganda in the country that was put across the Nation in the press regarding the present recession?

Mr. HOLDEN. I felt it was due to the very grandiose expectations of this very rapid growth, which, to my mind, were never justified. Coming back to earth, and seeing current activity in true proportion, it was a gain—much better than rushing ahead into some speculative boom.

Senator MURRAY. And the conditions that developed were greatly exaggerated in the minds of many people?

Mr. HOLDEN. That has been my feeling right along.

Senator MURRAY. Do you feel that that was one of the important factors in creating the drop on the stock exchange?

Mr. HOLDEN. I was told so by some writers on the financial columns in the newspapers that it did have much to do with it.

Senator MURRAY. That is all.

The CHAIRMAN. That is all, Mr. Holden; thank you.

(The following letter was submitted by the chairman for inclusion in the record:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, January 21, 1938.

Hon. JAMES F. BYRNES,
Chairman, Special Committee to Investigate Unemployment,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Referring to your invitation of December 16, 1937, to appear before your committee during the week of January 17, 1938, I am advised by your office that, owing to press of official duties, it would be helpful to your committee if I could file my statement instead of appearing as a witness this week.

It is my understanding that your committee is desirous primarily of obtaining suggestions as to what Congress could do immediately to curb the present business recession. In the course of these hearings enough has been said by industrialists and trade association executives, many of them members of the Chamber of Commerce of the United States, to demonstrate how futile it would be for Congress to take precipitate action in the development of new regulatory legislation for coping with the employment, production, and price problems of all fields of business. Because the problems of unemployment are local and have to do with the business of separate industries it is gratifying that your committee has found it possible to obtain the views of so many diversified interests and widely separated localities.

It is not my purpose either to duplicate or reiterate the testimony presented by spokesmen for our member corporations and trade associations. But I would call your attention to some of the most serious obstacles to immediate expansion in business and employment, such as—

1. The uncertainties to business produced by the threat of new and drastic regulatory legislation, providing Federal control of hours and wages, together with the imposition of onerous restrictions on corporations doing interstate business.

2. The barriers to business expansion produced by Federal tax legislation, including particularly the undivided-profits tax and the capital gains tax.

3. The dangerously large proportion of national income being collected in taxes to defray the expenses of government.

4. The intrusion of government into relations between employer and employee.

5. The need for liberalizing some of the existing laws and regulations covering the flow of capital.

Upon many of the subjects that have been brought to the attention of your committee, the Chamber of Commerce of the United States has presented, or will present, its views to the committees of the House and Senate dealing with specific legislative proposals that come within their jurisdiction. For example, spokesmen for the chamber this week presented to the House Ways and Means Committee our views respecting the urgent need for changes in the Federal tax system. With regard to the matter of work-sharing and other adjustments in terms of employment, we have also presented our position to Congress. Specifically, we have urged that there should be only such legislative restrictions on hours of work and wage rates as may be validly imposed by State governments to protect the health and well-being of workers for whom such legislative protection may be necessary. When the committees of the House and Senate hold hearings on proposed amendments to the Social Security Act and the Labor Relations Act, we shall likewise be prepared to present the position of our membership, as we have already done with regard to the pending housing bill.

In the testimony received by your committee, it is apparent that most all of the unemployment information seems to have dealt with industrial regions. Such figures alone do not portray the entire situation. Agriculture seems to be the part left out of the picture.

The best estimates we can get are that with the number of forms, approximately 7 million, somewhere around 3 million men are employed either full time or part time, as most farmers must have help, especially at harvest time.

Secretary Wallace made the statement before this committee that 15 or 20 thousand farm laborers were displaced by mechanical corn pickers last fall in the State of Iowa. Large numbers of men were displaced by combines during the wheat harvest in Kansas and other States. The buying of these corn pickers and combines was not entirely voluntary upon the part of the farmers, as it was impossible to get the help required due to fear, real or imaginary, upon the part of the Works Progress Administration workers that if they left the rolls for a few weeks, it would be impossible for them to get back either promptly or not at all. While I know that efforts have been made by Works Progress Administration authorities to see that men are released for farm and other seasonal work when needed, the results have been far from satisfactory, and it would seem that one of the major contributions to the unemployment relief situation would be the clarifying of these regulations.

While fear of inability to secure goods, due to sit-down strikes and other labor disturbances, may have induced overbuying, which in turn may have caused overproduction, with a consequent slump when the labor troubles were settled, the real cause of the present recession is due to lack of confidence in the future, caused accumulatively by the passage of laws culminating in the undistributed profits tax and the threat of the wages-and-hours bill.

Not withstanding the many ideas as to the effectiveness of artificial stimulants, such as the soldiers' bonus, large pump priming expenditures, etc., a recent newspaper business index shows that we are now more than 10 points below where we were in August 1933.

The country is sound, but in order to have prosperous conditions, whether for so-called big business or for little business, plans must be made months, and even years in advance, not only for ordinary business, but particularly for new construction and expansion; and only a restoration of confidence, whether the fear is real or imaginary, will induce businessmen to take changes on enterprise, especially in view of the fact that if the enterprise is successful, there will probably be only in the neighborhood of 40 or 50 cents out of each dollar left, after various taxes, while if judgment is wrong, the loss will be 100 cents on the dollar.

Summing up, there is no question in the minds of businessmen that the repeal of the undivided-profits tax, a sharp modification in the amount of capital-gains tax, a liberalization of the Commodity Exchange and Security Exchange Commission rules, in order to provide more liquid markets, and the

assurance that, at this session at least, there would be no additional laws passed, further regulating business, such as the wages-and-hours bill, would result in a restoration of confidence which would revive business activities, and do more to solve the unemployment and relief situation than possible by

Sincerely yours,

GEO. H. DAVIS, *President.*

The CHAIRMAN. The committee will adjourn to a date hereafter to be set by the committee.

(Thereupon, at 12 noon, the committee adjourned subject to the call of the chairman.)

(The following statement was received from the Social Security Board. It is a continuation of the report, the first part of which is to be found on pp. 326–328:)

[Social Security Board, Bureau of Research and Statistics, Division of Public Assistance Research]

THIRTEEN PERCENT INCREASE IN GENERAL RELIEF CASE LOADS IN 90 URBAN AREAS FROM DECEMBER 1937 TO JANUARY 1938—SUMMARY OF DATA ON URBAN AREAS COLLECTED BY THE SOCIAL SECURITY BOARD FROM STATE AGENCIES AT SPECIAL REQUEST OF SENATE COMMITTEE TO INVESTIGATE UNEMPLOYMENT AND RELIEF

Telegraphic reports from 29 States show that the number of cases receiving general relief in 90 urban areas increased 13 percent and the amount of obligations incurred for relief extended to cases increased 9 percent from December to January. Of the 90 urban areas included, 58 are cities of 100,000 or more population. The population of these 90 urban areas is 49 percent of the urban population and 28 percent of the total population of the United States.

General relief includes all public relief extended to cases by State and local public agencies except the three special forms of assistance—old-age assistance, aid to dependent children, and aid to the blind—in which the Social Security Board participates, other public assistance of these types and aid to veterans under State and local statutes. General relief excludes earnings under the Federal Works Program, loans and subsistence grants made by the Farm Security Administration, Federal surplus commodities, expense for services to cases such as maternal and child-health services, child-welfare services, and services to crippled children, administered by the United States Children's Bureau under the Social Security Act, institutional and boarding home care of children, and the costs of hospitalization and burials.

Of the 90 urban areas, all but 11 showed an increase in the number of cases of general relief from December to January. Only about one-third (26 of the 79 urban areas) showed an increase of less than 10 percent; a slightly larger proportion (29 of the 79) showed an increase of 20 percent or more. In 10 urban areas the rise was as much as 40 percent. With two exceptions, these 10 cities in which the increase was as much as 40 percent were located in the Middle West. These cities were South Bend, Ind.; Louisville, Ky.; Detroit, Flint, and Grand Rapids, Mich.; and Akron, Dayton, and Canton, Ohio. Decreased employment in the automobile and rubber industries in some of these cities doubtless was the factor contributing most to the increase in the number of cases in the general relief case load. In only 2 of the 11 cities in which there was a drop in the number of cases was the decline as much as 10 percent.

In 69 of the 90 cities there was an increase in the amount of obligations incurred for relief extended to cases. In 27 of the 69 cities the increase in obligations was less than 10 percent; in 12 of the cities, however, the increase was 40 percent or more. Here, too, as among the cities in which the rise in number of cases was the greatest, 7 of the 12 cities in which the increase in the amount of obligations was 40 percent or more were in the Middle West. In 10 of the 21 cities in which there were decreases in the amount of obligations incurred for relief extended to cases, the declines were less than 10 percent.

An apparent break has occurred in the rising trend in the general relief load that was so evident when reports were received on December relief. The Federal Reserve Board's statement, toward the end of January, that the decline in industrial production which began last fall had halted in January, seems to be supported by the relief data presented here. Notwithstanding this fact, the figures reflect a

picture of acute need and the increases both in cases and in obligations incurred are significant.

The number of cases with an employable person in 74 cities was reported as 60 percent of the total load. In 34 of these 74 cities the number of cases with an employable person was 60 percent or more of the total. Although the Board requested that the Works Progress Administration definitions and rules about employability be considered in answering this question, it is possible that the question may have been misunderstood and that the percentages may represent overstatements of the extent to which the general relief load could be reduced by increased Works Progress Administration employment.

It is estimated upon the basis of these preliminary reports that obligations for general relief extended to 1.8 million cases during January amounted to $44,980,000.

General relief in selected urban areas, January 1938 [1]

Urban area	Cases receiving general relief		Obligations incurred for general relief extended to cases		Percentage with employable person in relief load [2]
	Number of cases, January 1938	Percentage increase (+) or decrease (−) from December 1937	Amount of obligations	Percentage increase (+) or decrease (−) from December 1937	
Total for 90 urban areas	841,531	+13.1	$25,650,523	+9.0	60.4
Arizona: Phoenix	777	+10.2	12,941	−4.8	7.9
Arkansas:					
Fort Smith [3]	92	−3.2	517	−1.9	0
Little Rock [3]	474	+.6	3,280	+1.4	3.8
Pine Bluff [3]	100	−2.9	883	−2.6	3.0
California:					
Los Angeles [3]	44,117	+14.5	1,474,522	+17.4	62.5
Oakland [3]	11,652	+21.3	318,582	+15.3	72.1
Sacramento [3]	3,213	+28.3	83,668	+51.2	70.5
San Diego [3]	4,592	+11.2	125,486	+12.3	44.9
San Francisco [3]	15,448	+19.1	414,356	+14.1	76.6
Colorado: Denver	4,022	+3.8	57,056	−15.2	23.2
Connecitcut:					
Bridgeport	1,913	+24.8	55,800	+36.4	44.9
Hartford	2,105	+10.2	70,000	+14.2	19.4
New Haven	2,011	+6.2	58,600	+.	14.7
Waterbury	1,113	+13.8	21,300	−1.8	41.8
District of Columbia: Washington	2,525	−5.1	65,914	−2.5	0
Georgia:					
Atlanta [3]	2,936	+2.5	29,885	+1.9	14.1
Augusta [3]	339	−.3	2,350	−29.7	24.2
Columbus [3]	567	+27.1	4,547	+36.0	39.7
Macon [3]	334	+7.4	1,756	−6.7	3.3
Savannah [3]	454	−8.1	2,751	−37.4	18.5
Illinois:					
Chicago [3]	105,361	+6.4	3,052,068	+9.8	46.8
Peoria [3]	3,718	+26.3	64,573	+21.9	67.3
Springfield [3]	3,789	+12.6	72,529	+12.4	58.1
Indiana:					
Evansville [3]	2,900	+34.4	49,000	+57.3	(4)
Fort Wayne [3]	1,700	+30.8	32,000	+58.4	(4)
Gary [3]	10,000	+36.3	270,000	+50.8	(4)
Indianapolis [3]	13,000	+19.4	208,000	+11.1	(4)
South Bend [3]	3,909	+58.9	77,000	+56.6	(4)
Iowa:					
Cedar Rapids [3]	1,427	+8.4	28,038	+5.8	66.8
Davenport [3]	1,553	+9.6	34,901	+12.7	65.8
Des Moines [3]	5,151	+10.4	96,787	+1.3	66.7
Sioux City [3]	3,162	+6.8	72,754	+8.1	64.9
Kansas:					
Kansas City	2,868	+6.0	48,189	−1.4	77.0
Topeka	1,398	−5.3	18,950	−18.2	36.4
Wichita	2,260	+4.0	46,011	+8.2	28.3
Kentucky: Louisville	1,467	+46.7	26,711	+30.3	32.4
Louisiana:					
New Orleans [3]	2,687	−2.2	50,493	+0.3	3.7
Shreveport [3]	278	+8.2	5,510	+0.7	4.0
Massachusetts:					
Boston	19,213	+4.2	538,186	−11.7	60.9
Brockton	1,800	+2.6	39,175	+0.7	83.3
Cambridge	2,287	+10.5	63,567	+4.9	74.5

See footnotes at end of table.

General relief in selected urban areas, January 1938—Continued

Urban area	Cases receiving general relief		Obligations incurred for general relief extended to cases		Percentage with employable person in relief load [2]
	Number of cases, January 1938	Percentage increase (+) or decrease (−) from December 1937	Amount of obligations	Percentage increase (+) or decrease (−) from December 1937	
Massachusetts—Continued.					
Fall River	3,900	+4.0	$85,000	+8.9	87.2
Lowell	2,787	−3.5	92,808	+4.5	72.1
Lynn	2,600	+1.0	44,924	+5.4	95.4
New Bedford	2,747	+9.7	65,958	+1.3	80.9
Somerville	1,941	+4.4	73,506	−27.3	62.9
Springfield	3,288	+19.7	127,618	+50.3	84.8
Worcester	4,684	+13.2	167,615	+2.6	80.7
Michigan:					
Detroit	42,035	+87.4	1,210,000	+53.9	43.3
Flint [3]	7,447	+285.1	184,413	+212.1	64.6
Grand Rapids [3]	4,445	+44.3	100,000	+38.3	26.9
Mississippi: Vicksburg [3]	109	−28.8	487	−13.0	0
Montana:					
Butte [3]	816	+31.4	10,543	+24.6	57.6
Great Falls [3]	1,191	+15.5	19,013	+3.9	70.4
New York:					
Albany	1,767	+16.3	44,778	+16.7	(4)
Buffalo	16,464	+14.0	600,626	+13.6	(4)
New York City	208,731	+3.1	8,506,807	+1.8	(4)
Rochester	8,558	+10.6	335,243	+5.9	(4)
Schenectady	1,375	+25.1	39,502	+4.4	(4)
Syracuse	7,605	+26.6	231,833	+15.8	(4)
Utica	2,428	+20.4	80,936	+22.3	(4)
Yonkers	3,181	+8.1	107,500	+6.4	(4)
North Carolina:					
Asheville	272	−13.7	2,561	−8.4	41.9
Charlotte	464	+7.4	2,570	+34.8	31.7
Durham	236	+67.4	1,271	+52.2	38.1
Greensboro	243	+5.2	3,097	−19.4	53.9
Ohio:					
Akron	4,077	+45.5	48,658	+8.0	(4)
Canton [3]	4,324	+45.1	68,146	+36.7	(4)
Columbus [3]	6,701	+10.3	119,738	+11.7	(4)
Dayton	4,188	+50.8	101,130	+52.0	59.2
Oregon: Portland [3]	7,618	+18.8	128,954	+14.3	47.6
Pennsylvania:					
Erie [3]	2,979	+31.0	81,242	+24.5	91.8
Philadelphia [3]	72,318	+5.5	2,188,769	−0.5	76.7
Pittsburgh [3]	39,829	+27.9	1,165,459	+26.0	86.6
Reading [3]	4,033	+37.9	118,449	+29.3	89.2
Scranton [3]	7,868	+11.1	226,368	(5)	94.4
Wilkes-Barre [3]	10,981	+13.9	344,231	+5.7	91.5
South Carolina:					
Charleston	160	+0.6	2,013	+7.5	0
Greenville	98	+48.5	1,613	+36.9	0
South Dakota: Sioux Falls [3]	901	+14.2	14,000	+20.7	49.9
Utah: Salt Lake City [3]	2,157	+10.7	59,363	+8.2	29.9
Vermont:					
Burlington	402	+17.9	5,462	+5.0	85.1
Rutland	221	+20.8	5,484	+30.5	66.5
Virginia:					
Norfolk	567	+24.1	8,231	+49.0	73.2
Richmond	2,442	+7.9	33,239	(5)	38.9
Roanoke	365	+13.0	3,067	−11.4	17.0
Washington:					
Seattle [3]	16,857	−7.4	267,248	−21.1	32.7
Spokane [3]	6,104	+20.7	115,662	+15.0	64.9
Tacoma [3]	5,624	+2.9	106,772	−11.4	55.4
Wisconsin: Milwaukee [3]	22,700	+25.1	600,000	+24.5	58.6

[1] Figures for some of the urban areas are preliminary or estimated by the State.
[2] Percentage computed for States for which data on employable persons were available.
[3] Includes data for entire county in which city is located.
[4] Data not available.
[5] Less than 1/10 of 1 percent.

(The following communication was received from the Rubber Manufacturers Association:)

THE RUBBER MANUFACTURERS ASSOCIATION, INC.,
New York City, February 4, 1938.

MR. ALAN JOHNSTONE,
Counsel, Special Committee to Investigate Unemployment and Relief,
United States Senate, Washington, D. C.

DEAR MR. JOHNSTONE: In connection with your request for information about employment conditions in the rubber industry, it is the consensus of opinion of members of the industry that a more definite and informative picture would be presented to you if we gave you the present actual employment data compared with corresponding periods of last year. Accordingly we have collected from members of the rubber manufacturing industry comparable employment figures, month by month, for 1936 and 1937. These figures in total, representing about 92 percent of the sales volume of the industry, are attached.

Your committee no doubt realizes that the rubber manufacturing industry is dependent for most of its tonnage on business given to it by other industries which use rubber parts and products in great volume, and that consequently our rate of activity depends directly on general industrial conditions.

During this recession the rubber industry has followed, as far as feasible, the practice of spreading its work among its employees, a practice which the industry has always employed.

Very truly yours,

A. L. VILES, *President.*

Average daily number of persons employed during third week of each month of 1936 and 1937

[Includes all wage earners and salaried persons in factories, offices, sales force, branches, etc., engaged in manufacture or distribution of rubber products]

Month	Number of employees		Month	Number of employees	
	1936	1937		1936	1937
January	171,939	197,369	July	180,545	202,764
February	170,223	199,445	August	183,985	202,875
March	171,931	203,857	September	188,977	203,442
April	174,106	204,841	October	192,813	201,993
May	176,190	205,387	November	195,710	191,772
June	178,399	203,064	December	198,198	184,648

Total industry return to date, Feb. 4, 1938.

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